

Kareeberg

MUNICIPALITY

[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2020

KARREEBERG LOCAL MUNICIPALITY

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KAREEBERG LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

GENERAL INFORMATION

NATURE OF BUSINESS

Kareeberg Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Kareeberg Municipality includes the following geographical areas:

Carnarvon

Vosburg

Vanwyksvlei

MAYOR

Mr N.S. van Wyk

MUNICIPAL MANAGER

(Acting) Mr Z.P. Mjandana (Since 23 June 2020 secondment from COGHSTA)

CHIEF FINANCIAL OFFICER

Mr W. de Bruin

REGISTERED OFFICE

*Hanau Street,
CARNARVON,
9825*

AUDITORS

*Office of the Auditor General (NC)
Oliver Road,
Kimberley, 8301*

PRINCIPLE BANKERS

ABSA, Victoria Street, Carnarvon

ATTORNEYS

*G.B. Kempen & De Wet Nel, Victoria Street, Carnarvon
Calteaux & Partners, 165 Van Riebeeck Avenue cnr, Cook Ave, Eastleigh, Edenvale, 1610*

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Municipal Planning and Performance Management Regulations

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

Basic Conditions of Employment Act (Act no 75 of 1997)

Supply Chain Management Regulations, 2005

Collective Agreements

SALBC Leave Regulations

KAREEBERG LOCAL MUNICIPALITY

MEMBERS OF THE KAREEBERG LOCAL MUNICIPALITY

WARD	COUNCILLOR
1	Mr E. Hoorn
2	Mr N.S. van Wyk
3	Mr G.P. van Louw
4	Mr B.J.E. Slambee
Proportional	Mr J.E.J. Hoorn
Proportional	Ms G. Saal
Proportional	Mr W.D. Horne

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2020 , which are set out on pages 1 to 99 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2021 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Corporative Governance determination in accordance with this Act.

The annual financial statements were prepared on the going concern basis and the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

31 August 2020

(Acting) Mr Z.P. Mjandana (Since 23 June 2020 secondment from COGHSTA)
Municipal Manager

Date

KAREEBERG LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

	Notes	2020 (Actual) R	2019 (Restated) R
NET ASSETS AND LIABILITIES			
Net Assets		191,085,813	188,574,307
Capital Replacement Reserve	2	11,347,812	11,347,812
Housing Development fund	2	50,721	48,202
Accumulated Surplus		179,687,280	177,178,293
Non-Current Liabilities		17,949,521	20,550,027
Employee benefits	3	7,596,000	7,958,830
Non-Current Provisions	4	10,353,521	12,591,198
Current Liabilities		5,398,720	19,248,834
Consumer Deposits	5	329,979	327,904
Current Employee benefits	6	2,787,633	2,658,170
Trade and Other Payables from exchange transactions	7	1,489,124	1,958,002
Unspent Transfers and Subsidies	8	791,984	14,304,758
Total Net Assets and Liabilities		214,434,054	228,373,168
ASSETS			
Non-Current Assets		182,824,606	182,260,229
Property, Plant and Equipment	10	166,876,253	166,790,543
Investment Property	11	15,884,463	15,412,204
Intangible Assets	12	37,243	26,631
Heritage Assets	13	14,900	14,900
Capitalised Restoration Cost	14	-	-
Long-Term Receivables	15	11,747	15,951
Current Assets		31,609,448	46,112,939
Inventory	16	546,936	546,936
Trade Receivables from exchange transactions	17	3,918,576	3,045,857
Other Receivables from non-exchange transactions	18	289,575	53,219
Unpaid Conditional Government Grants and Receipts	8	2,177,853	-
Operating Lease Asset	19	25,578	33,870
Current Portion of Long-term Receivables	15	5,170	4,967
Cash and Cash Equivalents	20	24,645,759	42,428,089
Total Assets		214,434,054	228,373,168

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 (Actual) R	2019 (Actual) R	Correction of Error - Note 34.05 R	2019 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		49,557,436	68,484,499	-	68,484,499
Taxation Revenue		9,228,699	8,327,522	-	8,327,522
Property taxes	21	9,228,699	8,327,522	-	8,327,522
Transfer Revenue		39,273,130	58,184,891	-	58,184,891
Government Grants and Subsidies - Capital	22	9,019,611	28,296,993	-	28,296,993
Government Grants and Subsidies - Operating	22	30,230,519	29,887,898	-	29,887,898
Contributed Property, Plant and Equipment		23,000	-	-	-
Other Revenue		1,055,607	1,972,087	-	1,972,087
Actuarial Gains	3	761,500	1,647,810	-	1,647,810
Availability Charges	23	285,740	301,996	-	301,996
Licences and Permits		5,499	12,661	-	12,661
Fines		2,868	9,620	-	9,620
Revenue from Exchange Transactions		18,131,818	20,135,377	-	20,135,377
Property Rates - Penalties & Collection Charges		203,594	187,596	-	187,596
Service Charges	24	14,963,681	16,022,540	-	16,022,540
Rental of Facilities and Equipment		395,832	294,261	-	294,261
Interest Earned - external investments		2,430,325	3,439,548	-	3,439,548
Interest Earned - outstanding debtors		850	1,045	-	1,045
Agency Services		58,872	151,238	-	151,238
Other Revenue	25	78,662	39,149	-	39,149
Total Revenue		67,689,253	88,619,876	-	88,619,876
EXPENDITURE					
Employee related costs	27	21,405,337	20,781,043	-	20,781,043
Remuneration of Councillors	28	2,647,412	2,532,343	-	2,532,343
Debt Impairment	29	4,635,944	3,957,784	-	3,957,784
Depreciation and Amortisation	30	5,418,630	5,095,674	665,346	4,430,327
Impairments	10	-	50,000	(2,936)	52,936
Actuarial losses	3	96,138	29,812	-	29,812
Finance Charges	31	1,726,339	1,896,918	(479,716)	2,376,634
Bulk Purchases	32	10,140,675	9,485,219	-	9,485,219
Stock Adjustments	32	2,201,401	1,648,775	-	1,648,775
General Expenses	33	16,905,238	17,209,164	-	17,209,164
Total Expenditure		65,177,114	62,686,732	182,694	62,504,038
Operating Surplus for the Year		2,512,139	25,933,144	(182,694)	26,115,838
Loss on disposal of Property,Plant and Equipment/Investment Property/Intangible Asset	10	(1,600)	(6,814)	-	(6,814)
Fair Value Adjustments	26	966	1,133	-	1,133
NET SURPLUS FOR THE YEAR		2,511,505	25,927,463	(182,694)	26,110,157

KAREEBERG LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus/(Deficit)	Total
	R	R	R	R
Balance at 1 July 2018				
Correction of error - See Note 34.04	-	-	22,729,298	22,729,298
Restated Balance at 1 July 2018				
Net Surplus/(Deficit) for the year	45,545	11,347,812	151,253,489	162,646,846
Correction of error - See Note 34.05	-	-	26,110,157	26,110,157
Transfer to Housing Development Fund	-	-	(182,694)	(182,694)
Rounding	2,657	-	(2,657)	-
			(2)	(2)
Balance at 30 June 2019				
Correction of error - See Note 34.04	-	-	-	-
Restated Balance at 1 July 2019				
Net Surplus/(Deficit) for the year	48,202	11,347,812	177,178,293	188,574,307
Transfer to/from Housing Development Fund	-	-	2,511,505	2,511,505
Rounding	2,519	-	(2,519)	-
			1	1
Balance at 30 June 2020				
	50,721	11,347,812	179,687,280	191,085,813

KAREEBERG LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 R	2019 (Actual) R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property Rates		6,647,283	7,159,002
Service Charges		10,556,058	11,521,996
Other Revenue		2,918,369	4,342,176
Government - Operating		15,497,001	26,106,000
Government - Capital		8,038,000	28,019,000
Interest		2,279,559	3,335,972
Payments			
Suppliers and employees		(56,033,493)	(50,318,534)
Finance charges	31	(1,726,339)	(1,896,918)
Net Cash from Operating Activities	35	(11,823,563)	28,268,695
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(5,948,594)	(29,116,943)
Proceeds on Disposal of Fixed Assets		4,630	37,137
Purchase of Intangible Assets		(21,846)	(16,602)
Net Cash from Investing Activities		(5,965,811)	(29,096,409)
CASH FLOW FROM FINANCING ACTIVITIES			
(Increase)/Decrease in Long-term Receivables		4,967	4,773
Increase/(Decrease) in Consumer Deposits		2,075	2,335
Rounding		1	(2)
Net Cash from Financing Activities		7,043	7,106
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		(17,782,330)	(820,608)
Cash and Cash Equivalents at the beginning of the year		42,428,089	43,248,697
Cash and Cash Equivalents at the end of the year	36	24,645,759	42,428,089
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(17,782,330)	(820,608)

KAFEEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2020		2020		(Variance)
	R	R	(Actual)	(Final Budget)	
ASSETS					
Current assets					
Cash	295,308	(2,350,258)	2,645,566	COVID-19 limited expenditure	
Call investment deposits	24,350,400	26,092,000	(1,741,549)	Additional MIG Grant expenditure.	
Consumer debtors	1,834,376	(3,571,185)	5,405,541	Error on Adjustment Budget strings.	
Other Receivables	4,577,207	525,608	4,051,589	Unpaid conditional grants and carting of water	
Current portion of long-term receivables	5,170	-	5,170		
Inventory	546,936	(105,000)	651,936	Error on Adjustment Budget strings.	
Total current assets	31,608,448	20,591,185	11,018,263		
Non current assets					
Long-term receivables	11,747	19,785	(8,038)		
Investments	-	-	-		
Investment property	15,884,463	15,425,145	459,318	Transfer from PPE	
Property, plant and equipment	166,876,253	161,279,120	5,597,133	Unpaid conditional grants and adjustment on calculation of landfill site asset	
Biological Assets	-	-			
Intangible Assets	37,243	1,534,735	(1,497,492)	Sebeta system not correctly classified and corrected in 2019 AFS	
Heritage Assets	14,900	-	14,900		
Total non current assets	182,824,606	178,258,785	4,565,821		
TOTAL ASSETS	214,434,054	198,849,970	15,584,084		
LIABILITIES					
Current liabilities					
Bank overdraft	-	-	-		
Borrowing	-	(8)	8		
Consumer deposits	329,979	10,010	319,969	Error on Adjustment Budget strings.	
Trade and other payables	2,281,108	4,369,437	(2,088,329)	Error on Adjustment Budget strings.	
Provisions and Employee Benefits	2,787,633	-	2,787,633	Error on Adjustment Budget strings.	
Total current liabilities	5,396,720	4,379,439	1,019,281		
Non current liabilities					
Borrowing	-	-	-		
Provisions and Employee Benefits	17,949,520	37,335,479	(19,385,959)	Error on Adjustment Budget strings.	
Total non current liabilities	17,949,520	37,335,479	(19,385,959)		
TOTAL LIABILITIES	23,348,240	41,714,918	(18,366,678)		
NET ASSETS	191,085,813	157,135,052	33,950,759		
COMMUNITY WEALTH					
Accumulated Surplus/(Deficit)	179,687,280	145,749,052	33,938,228		
Reserves	11,398,532	11,386,000	12,532	Net effect of above reasons	
TOTAL COMMUNITY WEALTH/EQUITY	191,085,814	157,135,052	33,950,762		

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

ADJUSTMENTS TO APPROVED BUDGET

	2020		2020		(Final Budget)	Explanations for material adjustments
	R	R	R	(Adjustments)		
ASSETS						
Current assets						
Cash	(2,350,258)		-		(2,350,258)	
Call investment deposits	26,092,000		-		26,092,000	
Consumer debtors	(3,571,165)		-		(3,571,165)	
Other Receivables	525,608		-		525,608	
Current portion of long-term receivables	-		-		-	
Inventory	(105,000)		-		(105,000)	
Total current assets	20,591,185		-		20,591,185	
Non current assets						
Long-term receivables	19,785		-		19,785	
Investments	15,425,145		-		15,425,145	
Investment property	168,326,120		(7,047,000)		161,279,120	Withdrawal of RBLG Grant and reclassification of Sebeta
Property, plant and equipment	-		-		-	
Biological Assets	1,534,735		-		1,534,735	
Intangible Assets	-		-		-	
Heritage Assets	-		-		-	
Total non current assets	185,305,785		(7,047,000)		178,258,785	
TOTAL ASSETS	205,896,970		(7,047,000)		198,849,970	
LIABILITIES						
Current liabilities						
Bank overdraft	-		-		-	
Borrowing	(8)		-		(8)	
Consumer deposits	325,569		(315,559)		10,010	Error on Adjustment Budget strings.
Trade and other payables	4,369,437		-		4,369,437	
Provisions and Employee Benefits	-		-		-	
Total current liabilities	4,694,998		(315,559)		4,379,439	
Non current liabilities						
Borrowing	-		-		-	
Provisions and Employee Benefits	37,335,479		-		37,335,479	
Total non current liabilities	37,335,479		(315,559)		37,335,479	
TOTAL LIABILITIES	42,030,477		(315,559)		41,714,918	
NET ASSETS						
COMMUNITY WEALTH						
Accumulated Surplus/(Deficit)	152,480,493		(6,731,441)		145,749,052	
Reserves	11,386,000		-		11,386,000	Net effect of above reasons
TOTAL COMMUNITY WEALTH/EQUITY	163,866,493		(6,731,441)		157,135,052	

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

REVENUE BY SOURCE	2020		2020	
	R (Actual)	R (Final Budget)	R (Variance)	R Explanations for material variances
Property rates	9,228,699	10,315,508	(1,086,809)	No Interim valuations
Property rates - penalties & collection charges	203,594	-	203,594	
Service charges	15,249,421	15,340,354	(90,933)	
Rental of facilities and equipment	395,832	372,070	23,762	
Interest earned - external investments	2,430,325	2,151,201	279,124	Low expenditure
Interest earned - outstanding debtors	850	351,000	(350,150)	Error on Adjustment Budget strings.
Dividends received	-	-	-	
Fines	2,868	8,250	(5,382)	Covid-19
Licences and permits	5,499	42,900	(37,401)	Covid-19
Agency services	58,872	-	58,872	Error on Adjustment Budget strings.
Government Grants and Subsidies - Operating	30,230,519	28,780,000	1,450,519	More MIG Expenditure
Other revenue	864,128	2,268,122	(1,403,994)	Error on Adjustment Budget strings.
Gains on disposal of PPE	-	-	-	
Total Operating Revenue	58,670,608	59,629,405	(958,797)	
EXPENDITURE BY TYPE				
Employee related costs	21,405,337	23,489,566	(2,084,229)	Vacancies
Remuneration of councillors	2,647,412	2,739,128	(91,716)	
Debt impairment	4,635,944	3,883,300	752,644	Less payment - Covid-19
Depreciation & asset impairment	5,418,630	3,551,679	1,866,951	Landfill site asset recalculation
Finance charges	1,726,339	1,067,222	659,117	Final calculation not in line with estimates
Bulk purchases	12,342,076	13,504,504	(1,162,428)	Lower consumption
Other materials	-	2,003,183	(2,003,183)	Reclassified to general expenditure
Contracted services	-	7,409,615	(7,409,615)	Reclassified to general expenditure
Grants and subsidies paid	-	2,128,462	(2,128,462)	Reclassified to general expenditure
Other expenditure	17,001,376	10,210,283	6,791,093	Net effect of three line items above
Loss on disposal of PPE	1,600	-	1,600	
Total Operating Expenditure	65,178,714	69,986,942	(4,808,228)	
Operating Deficit for the year	(6,508,106)	(10,357,537)	3,849,431	
Government Grants and Subsidies - Capital	9,019,611	17,236,904	(8,218,393)	RBIG funds withdraw
Net Surplus for the year	2,511,505	6,880,467	(4,368,962)	

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

ADJUSTMENTS TO APPROVED BUDGET

REVENUE BY SOURCE	2020			2020		
	R	R	(Approved Budget)	R	R	(Final Budget)
Property rates	10,315,508	-	-	10,315,508	-	10,315,508
Property rates - penalties & collection charges	-	-	-	-	-	-
Service charges	15,340,354	-	-	15,340,354	-	-
Rental of facilities and equipment	372,070	-	-	372,070	-	-
Interest earned - external investments	2,151,201	-	-	2,151,201	-	-
Interest earned - outstanding debtors	351,000	-	-	351,000	-	-
Dividends received	-	-	-	-	-	-
Fines	8,250	-	-	8,250	-	-
Licences and permits	42,900	-	-	42,900	-	-
Agency services	-	-	-	-	-	-
Government Grants and Subsidies - Operating	28,980,000	(200,000)	-	28,780,000	-	-
Other revenue	2,268,122	-	-	2,268,122	-	-
Gains on disposal of PPE	-	-	-	-	-	-
Total Operating Revenue	59,829,405	(200,000)	-	59,629,405	-	-
EXPENDITURE BY TYPE						
Employee related costs	24,416,488	(926,922)	-	23,489,566	Vacancies	
Remuneration of councillors	2,739,128	-	-	2,739,128		
Debt impairment	3,883,300	-	-	3,883,300		
Depreciation & asset impairment	3,551,679	-	-	3,551,679		
Finance charges	1,067,222	-	-	1,067,222		
Bulk purchases	13,504,504	-	-	13,504,504		
Other materials	1,723,902	-	-	1,723,902		
Contracted services	4,617,746	-	-	4,617,746		
Grants and subsidies paid	2,128,337	-	-	2,128,337		
Other expenditure	10,354,636	(144,353)	-	10,210,283		
Loss on disposal of PPE	-	-	-	-	-	-
Total Operating Expenditure	67,986,942	2,000,000	-	69,986,942	RBIG funds withdrawal and the lesser amount made available	
Operating Deficit for the year	(8,157,537)	(2,200,000)	-	(10,357,537)		
Government Grants and Subsidies - Capital	22,085,004	(4,847,000)	-	17,238,004		
Net Surplus/(Deficit) for the year	13,927,467	(7,047,000)	-	6,880,467		

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2020 R (Actual)	2020 R (Final Budget)	2020 R (Variance)	
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				Explanations for material variances
Property Rates	6,647,283	7,530,320	(883,037)	Lower payment level - Covid-19
Service Charges	10,556,058	14,242,325	(3,686,277)	Lower payment level - Covid-19
Other Revenue	2,918,369	2,590,883	327,486	Additional VAT on MIG
Government - Operating	15,497,001	28,980,000	(13,482,999)	Refund to NT
Government - Capital	8,038,000	22,085,000	(14,047,000)	RBIG withdrew
Interest	2,279,559	2,287,080	(7,521)	
Dividends				
Payments				
Suppliers and Employees	(56,033,493)	(59,356,279)	3,322,786	Lower expenditure - Covid-19
Finance charges	(1,726,339)	(1,067,222)	(659,117)	Final calculation not in line with estimates
Transfers and Grants	-	(2,128,462)	2,128,462	Reclassification to general expenditure
NET CASH FROM/(USED) OPERATING ACTIVITIES	(11,823,563)	15,163,655	(26,987,218)	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	4,630	-	4,630	
Decrease/(increase) in non-current receivables	4,967	-	4,967	
Decrease/(increase) in non-current investments	-	4	(4)	
Payments				
Capital assets	(5,970,441)	(17,345,004)	11,374,563	Error on adjustment budget strings
NET CASH FROM/(USED) INVESTING ACTIVITIES	(5,960,844)	(17,345,000)	11,384,156	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	2,075	(315,559)	317,634	Error on adjustment budget strings
Increase/(decrease) in consumer deposits	-	7	(7)	
Payments				
Repayment of borrowing	-	(315,552)	317,627	
NET CASH FROM/(USED) FINANCING ACTIVITIES	2,075	(315,552)	317,627	
NET INCREASE/(DECREASE) IN CASH HELD	(17,782,332)	(2,496,897)	(15,285,434)	
Cash and Cash Equivalents at the beginning of the year	42,428,089	26,302,220	16,125,869	Error on adjustment budget strings
Cash and Cash Equivalents at the end of the year	24,645,759	23,805,323	840,436	Error on adjustment budget strings

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

ADJUSTMENTS TO APPROVED BUDGET

	2020 R (Approved Budget)	2020 R (Adjustments)	2020 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates, penalties & collection charges	7,530,320	-	7,530,320	
Service charges	14,242,335	-	14,242,335	
Other revenue	2,590,883	-	2,590,883	
Government - operating	28,980,000	-	28,980,000	
Government - capital	22,085,000	-	22,085,000	
Interest	2,287,080	-	2,287,080	
Dividends	-	-	-	
Payments				
Suppliers and Employees	(57,356,404)	(1,999,875)	(59,356,279)	Additional Sebata system cost
Finance charges	(1,067,222)	-	(1,067,222)	
Transfers and Grants	(2,128,337)	(125)	(2,128,462)	
NET CASH FROM/(USED) OPERATING ACTIVITIES	17,163,655	(2,000,000)	15,163,655	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	-	-	-	
Decrease/(Increase) in non-current receivables	8,490	(8,490)	4	4
Decrease/(Increase) in non-current investments	-	-	-	
Payments				
Capital assets	(24,392,004)	7,047,000	(17,345,004)	Withdrawal of RBIG Grant and reclassification of Sebata
NET CASH FROM/(USED) INVESTING ACTIVITIES	(24,383,514)	7,038,514	(17,345,000)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	(313,224)	(315,559)	Error on adjustment budget strings
Increase/(decrease) in consumer deposits	(2,335)	-	7	7
Payments				
Repayment of borrowing	-	-	-	
NET CASH FROM/(USED) FINANCING ACTIVITIES	(2,335)	(313,217)	(315,552)	
NET INCREASE/(DECREASE) IN CASH HELD	(7,222,194)	4,725,297	(2,496,897)	
Cash and Cash Equivalents at the beginning of the year	30,951,600	(4,649,380)	26,302,220	
Cash and Cash Equivalents at the end of the year	23,729,406	75,917	23,805,323	Error on adjustment budget strings

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – April 2019) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget and Actual Amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2019/20 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is 1 April 2020.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

Standard	Description	Effective Date
GRAP 34 (Revised – April 2020)	<p><u>Separate Financial Statements</u></p> <p>The objective of this Standards is to prescribe the accounting and disclosure requirements in controlled entities, joint ventures and associates when an entity prepares separate financial statements.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	1 April 2020
GRAP 35 (Revised – April 2020)	<p><u>Consolidated Financial Statements</u></p> <p>The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
GRAP 36 (Revised – April 2020)	<p><u>Investments in Associates and Joint Ventures</u></p> <p>The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Standard	Description	Effective Date
GRAP 37 (Revised – April 2020)	<p><u>Joint Arrangements</u></p> <p>The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements)</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
GRAP 38 (Revised - April 2020)	<p><u>Disclosure of Interest in Other Entities</u></p> <p>The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:</p> <p>a) the nature of, and risks associated with, its interest in controlled entities unconsolidated controlled entities, joint arrangements and associates, and structure entities that are not consolidated; and</p> <p>b) the effects of those interests on its financial position, financial performance and cash flows.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	1 April 2020
GRAP 104 (Revised – April 2020)	<p><u>Financial Instruments</u></p> <p>The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
GRAP 110 (Revised – April 2020)	<p><u>Living and non-living resources</u></p> <p>The objective of this Standard is to prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	1 April 2020

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.9. RESERVES

1.9.1 *Capital Replacement Reserve (CRR)*

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

1.9.2 *Housing Development Fund*

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

Housing selling schemes, both completed and in progress, as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.10. LEASES

1.10.1 *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-line revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.11.1 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable where applicable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.11.2 UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.12. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur.

Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met.

The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.13. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.13.1. Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.13.2. Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.13.3. Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days, limited to 48 days, due to employees at year-end and also on the total salary of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave, limited to 48 days, will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

1.13.4. Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.13.5. Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 56 and 57 employees, is recognised as it accrues to Section 56 and 57 employees. Municipal performance bonus provisions are based on the performance contract stipulations as well as previous performance bonus payment trends.

1.13.6. Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable.

The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis.

Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.13.7. Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.14. PROPERTY, PLANT AND EQUIPMENT

1.14.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable; its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Municipal land and building qualify as property, plant and equipment when the property is registered at the Deeds Office in the name of the Municipality or any identifiable unknown registered property. Where a split for land and building valuation cost is not available on the valuation received, management assumed that the building is calculated at 80% and the land at 20% of the valuation value.

Biological assets of the Municipality qualify as property plant and equipment as it is for recreation purposes. The Municipality controls the asset as a result of past events. Biological assets are initially measured at their fair value less cost to sell. The fair value of game is determined based on market prices of game. A gain or loss arising on initial recognition of biological assets at fair value less cost to sell is recognised in the Statement of Financial Performance for the period in which it arises.

1.14.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.14.3 Depreciation and Impairment

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

<u>Land and Buildings</u>	<u>Years</u>
Land	Indefinite
Buildings	10-81
<u>Infrastructure</u>	
Roads and Stormwater	13-101
Electricity Mains	13-51
Water Mains and Purification	2-84
Sewerage Mains & Purification	9-81
Refuse Mains	29-61
<u>Community</u>	
Recreation Grounds	11-102
Civil Buildings	30-81
Cemetery	30-81
Museum	30-81
Parks	30-81
Public Conveniences/Bathhouses	30-81
Libraries	30-81
Clinics and Hospitals	30-81
<u>Other</u>	
Motor Vehicles	5-25
Office equipment	1-31
Furniture and fittings	3-31
Refuse Truck	10-18
Plant and Equipment	2-34
Fire Engines	22-34
Computer Equipment	2-27

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.14.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.14.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

1.15. INTANGIBLE ASSETS

1.15.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiable criteria in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;

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- it is probable that the municipality will receive future economic benefits or service potential; and

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.15.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.15.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	1-11

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

1.15.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sale proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

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1.16. INVESTMENT PROPERTY

1.16.1 Initial Recognition

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.16.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.16.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	29-30

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either

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prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

1.16.4 *De-recognition*

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sale proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5 *Application of deemed cost - Directive 7*

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.17 HERITAGE ASSETS

1.17.1 *Initial Recognition*

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.17.2 *Subsequent Measurement – Cost Model*

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.17.3 *Depreciation and Impairment*

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

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1.17.4 *De-recognition*

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.17.5 *Application of deemed cost - Directive 7*

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.18. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.18.1 *Cash-generating assets*

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

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The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.18.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.

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- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
 - A decision to halt the construction of the asset before it is complete or in a usable condition.
 - Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss and is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any

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impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.19. INVENTORIES

1.19.1 *Initial Recognition*

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilolitre of water by the volume of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.19.2 *Subsequent Measurement*

Inventories, consisting of consumable stores, finished goods, housing stock, land, materials and supplies, water and work-in-progress, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

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The basis of allocating cost to inventory items is the weighted average method.

1.20. FINANCIAL INSTRUMENTS

Financial instruments recognised in the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.20.1 *Initial Recognition*

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.20.2 *Subsequent Measurement*

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.20.2.1 *Receivables*

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments. If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on

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the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.20.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.20.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.20.2.4 Non-Current Investments

Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.20.3 De-recognition of Financial Instruments

1.20.3.1 Financial Assets

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A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.20.3.2 *Financial Liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.20.4 *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.21 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Receivables that

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arise due to contractual arrangements are accounted for in terms of the accounting policy on Financial Instruments. Statutory receivables can arise from both exchange and non-exchange transactions.

1.21.1 Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.21.2 Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.21.3 Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
 - (i) derecognise the receivable; and

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(ii) recognise separately any rights and obligations created or retained in the transfer.

1.21.4 Transitional Provisions

Every effort is made to ensure compliance with the standard, but due to the risk of omission of some items due to a lack of experience with implementing this standard, the municipality is utilising the transitional provisions contained within Directive 4 that grant the municipality a period of three years in order to finalise the classification and measurement for Statutory Receivables.

The transitional period commences from 1 June 2019 and will be utilised until the period ending 30 June 2022.

1.22. REVENUE

1.22.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition, the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes of spot fines. Revenue from spot fines is recognised when received.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore, the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

Revenue from Grant VAT income is recognised when expenditure occurred.

1.22.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 2 to 3 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is not material and thus not disclosed under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of some residential property a fixed monthly tariff is levied and in the case of other properties a tariff is levied based on the number of sewerage removals on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.23. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipality. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of management of the Municipality;
- (b) a member of management of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the management who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the accounting officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All managers or council of the Municipality, being the Mayor and members of the Council.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.24. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

incurred) in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not fully within the control of the municipality.

1.28. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing the annual financial statements, management is required to make judgements, estimates and assumptions that affect the carrying amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The estimates and associated assumptions are based on historical experience and other factors that are

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results in the future could differ from these estimates, which may be material to the annual financial statements. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

1.28.1 Post-retirement medical obligations and long service awards

The cost of post retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 3 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.28.2 Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness and the effect of COVID-19. This was performed per service-identifiable categories across all classes of debtors.

1.28.3 Impairment of Statutory Receivables

The calculation in respect of the impairment of Statutory Receivables is based on an assessment of the expected recoverability of each individual receivable based on the history of recoverability of such receivables. When insufficient information is available to assess individual debtors, debtors are grouped into appropriate aggregated grouping levels. Aggregation is based on best practice. Thereafter receivables are assessed based on historical information available.

1.28.4 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
 - Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
 - The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.28.5 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

1.28.6 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.28.7 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.28.8 Revenue Recognition

Accounting Policy 1.22.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.22.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Fine Revenue constitutes of spot fines. Revenue from spot fines is recognised when received. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.28.9 Provision for Landfill Sites

The provision for rehabilitation of the landfill sites are recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill sites. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.28.10 Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date (limited to 48 days). This provision will be realised as employees take leave or when employment is terminated.

1.28.11 Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to Council approval.

1.28.12 Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.29. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.30. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.31. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.32. BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.33. CONSTRUCTION CONTRACTS

Construction contracts are those contracts entered between the municipality and a customer (or third party) whereby the municipality delivers a constructed asset in terms of an agreement with such party. The construction can be done by the municipality or through the use of a sub-contractor. The benefit of the constructed item (or group of items) must be received by such party and not the municipality.

Revenue from such contracts shall comprise the agreed value in terms of the contract plus any agreed variations to such contract on the conditions that these variations will result in an inflow of economic resources that can be measured reliably.

Contract costs are costs that directly relate to the contract as well as costs that are attributable to the execution of the construction work and any additional costs as agreed between the municipality and the party obtaining the final goods. Attributable costs are only assigned to the contract costs if these can be assigned on a systematic and rational basis.

The municipality assessed all of the contracts in place and found that only those contracts pertaining to Housing Arrangements as those described in ASB's Accounting for Arrangements Undertaken in terms of the National Housing Programme would meet the definition on Construction Contracts.

All of these contracts for the municipality are fixed-price contracts. Revenue and costs are therefore recognised with reference to the stage of completion provided that the conditions for contract revenue and contract costs are met and the stage of contract completion can be measured.

In exceptional cases, if any, for a cost-plus or cost-based contract, the outcome of a construction contract can be estimated reliably when it is probable that the economic benefits or service potential associated with the contract will flow to the entity and the contract costs can be clearly identified and measured reliably.

An expected deficit on a construction contract shall be recognised as an expense immediately based on the stage of completion. Future losses are only accounted for when these losses are incurred in terms of the stage of completion. This implies that only the proportional loss of a contract would be recognised based on the percentage of completion.

As the percentage or stage of completion is an estimate at year-end, any subsequent changes to the estimate would be accounted for as a change in estimate in terms of the relevant municipal accounting policy.

1.34. ACCOUNTING BY PRINCIPALS AND AGENTS

A principal-agent arrangement exists where there is a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

The municipality can be either the agent or the principal in terms of the circumstances of the arrangement.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Where the municipality is considered the principal, all revenues, expenses, liabilities and assets are recorded in the records of municipality in accordance with the relevant standards of GRAP.

Where the municipality is the agent to the transaction, only the portion of revenue and expenses it receives or incurs in executing the transactions on behalf of the principal is recorded with unspent or moneys due being recorded in terms of GRAP 104: Financial Instruments.

Identification

Special consideration is given to the classification of an agreement (once the standard is triggered) to carefully consider whether the municipality is an agent. The considerations include (all of) the following:

- Who determines significant terms?
- Who receives the benefit from the transactions?
- Is the municipality exposed to the variability of the outcome?

If these are not met, but the standard is applicable, the municipality would be regarded as the principal in the transaction.

1.35. SERVICE CONCESSION ARRANGEMENTS: (Municipality as grantor)

Identification

Service concession arrangements of the municipality include the provision of mandated functions on behalf of the municipality by the operator for a specified period of time, for which the operator is compensated for its services over the period of the service concession arrangement.

Initial Recognition

Service concession assets are measured initially at fair value except where the assets are existing assets of the municipality in which case the assets are reclassified at their carrying amounts. Service concession assets will be identified separately.

The service concession liability is recognised and initially measured at:

- The same amount as the service concession asset,
- Adjusted by the amount of any other consideration (e.g., cash) from the municipality to the operator, or from the operator to the municipality.

Subsequent Measurement

The municipality initially measures the service concession asset at fair value if it is not an existing asset of the municipality.

After initial recognition, the municipality applies the measurement (including impairment) and derecognition principles to the service concession asset applicable to similar items of Property, Plant and Equipment, Intangible Assets or Heritage Assets.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the municipality accounts for the liability as a financial liability.

The municipality allocates the payments to the operator and accounts for them according to their substance as a reduction in the service concession liability, a finance charge, and charges for services provided by the operator.

Other Liabilities, Contingent Liabilities, Contingent Assets and Revenue

The municipality accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets and Financial Instruments.

The municipality accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the principles of Revenue from Exchange Transactions.

Dividing the arrangement

When the municipality pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

Recognition of the performance obligation and the right to receive a significant interest in a service concession asset

Were the municipality controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the municipality recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement. The value of the receivable at the end of the service concession arrangement reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

1.36. TRANSFER OF FUNCTIONS (Municipality as the acquirer)

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired, and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
2	NET ASSET RESERVES		
	RESERVES		
	Capital Replacement Reserve	11,398,532	11,396,014
	Housing Development fund	11,347,812 50,721	11,347,812 48,202
	Total Net Asset Reserves	11,398,532	11,396,014
2.1	The Capital Replacement Reserve is used to finance future capital expenditure from own funds.		
2.2	The Housing Development Fund was established in terms of section 15 (5) and 16 of the Housing Act, Act 107 of 1997. The proceeds in this fund are utilised for housing development projects approved by the MEC. Any surplus/(deficit) on the Housing Department in the Statement of Financial Performance is transferred to the Housing Development Fund.		
3	EMPLOYEE BENEFITS		
	Post Retirement Benefits - Refer to Note 3.1	6,844,000	7,208,454
	Long Service Awards - Refer to Note 3.2	752,000	750,376
	Total Non-current Employee Benefit Liabilities	7,596,000	7,958,830
	<u>Post Retirement Benefits</u>		
	Balance 1 July	7,576,775	8,692,485
	Contribution for the year	779,048	903,696
	Expenditure for the year	(351,322)	(371,597)
	Actuarial Loss/(Gain)	(761,501)	(1,647,809)
	Total post retirement benefits 30 June	7,243,000	7,576,775
	<u>Less:</u> Transfer of Current Portion - Note 6	(399,000)	(368,321)
	Balance 30 June	6,844,000	7,208,454
	<u>Long Service Awards</u>		
	Balance 1 July	933,769	875,025
	Contribution for the year	147,663	143,365
	Expenditure for the year	(206,570)	(114,433)
	Actuarial Loss/(Gain)	96,138	29,812
	Total long service awards 30 June	971,000	933,769
	<u>Less:</u> Transfer of Current Portion - Note 6	(219,000)	(183,393)
	Balance 30 June	752,000	750,376
	<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
	Balance 1 July	8,510,544	9,567,510
	Contribution for the year	926,711	1,047,061
	Expenditure for the year	(557,892)	(486,030)
	Actuarial Loss/(Gain)	(665,363)	(1,617,997)
	Total employee benefits 30 June	8,214,000	8,510,544
	<u>Less:</u> Transfer of Current Portion - Note 6	(618,000)	(551,714)
	Balance 30 June	7,596,000	7,958,830
3.1	Post Retirement Benefits	2020 R	2019 R
	The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
	In-service (employee) members	6	6
	Continuation members (e.g. Retirees, widows, orphans)	9	9
	Total Members	15	15
	The liability in respect of past service has been estimated to be as follows:		
	In-service (employee) members	3,005,000	3,082,914
	Continuation (retiree and widow) members	4,238,000	4,493,861
	Total Liability	7,243,000	7,576,775

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

3

EMPLOYEE BENEFITS (CONTINUE)

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2018 R	2017 R	2016 R
In-service members	3,566,735	3,681,751	5,413,393
Continuation members	5,125,750	4,515,318	3,113,069
Total Liability	8,692,485	8,197,069	8,526,462

Experience adjustments were calculated as follows:

	2020 Rm	2019 Rm
Liabilities: (Gain) / loss	0.165	(1.239)
Assets: Gain / (loss)	-	-

The experience adjustments in respect of periods commencing prior to the comparative year has been estimated as follows:

	2018 Rm	2017 Rm	2016 Rm
Liabilities: (Gain) / loss	0.564	0.153	0.332
Assets: Gain / (loss)	-	-	-

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Hosmed
LA Health

The Municipality's Accrued Unfunded Liability at 30 June 2020 is estimated at R7 243 000. The Current-service Cost for the year ending 30 June 2020 is estimated at R80 793. It is estimated to be R34 000 for the ensuing year.

	2020 %	2019 %
Key actuarial assumptions used:		
I) Rate of interest		
Discount rate	9.78%	9.44%
Health Care Cost Inflation Rate	6.04%	6.85%
Net Effective Discount Rate	3.53%	2.42%

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve. Consequently, a discount rate of 9.78% per annum has been used. The corresponding index-linked yield at this term is 4.53%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 25 June 2020.

i) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

ii) Normal retirement age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

iv) Average retirement age

It has been assumed that in-service members will retire at age 62, which then implicitly allows for expected rates of early, ill-health and early retirement.

v) Expected rate of salary increases

2019/2020 - CPI + 1,5%
2020/2021 - CPI + 1,25%

The three-year Salary and Wage Collective Agreement ends on 30 June 2021.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

3

EMPLOYEE BENEFITS (CONTINUE)

2020
R 2019
R

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	7,243,000	7,576,775
Total Liability	7,243,000	7,576,775

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	7,576,774	8,692,485
Total expenses	427,726	532,099
Current service cost	80,793	99,942
Interest Cost	698,255	803,754
Benefits Paid	(351,322)	(371,597)
Actuarial (gains)/losses	(761,500)	(1,647,809)
Present value of fund obligation at the end of the year	7,243,000	7,576,775
Less: Transfer of Current Portion - Note 6	(399,000)	(368,321)
Balance 30 June	6,844,000	7,208,454

Sensitivity Analysis on the Accrued Liability

Assumption	Change	In-service	Retired members	Total liability	% change
		members liability (Rm)	liability (Rm)	(Rm)	
Central Assumptions		3.005	4.238	7.243	
Health care inflation	1%	3.370	4.674	8.044	11%
Health care inflation	-1%	2.697	3.865	6.562	-9%
Discount Rate	1%	2.708	3.881	6.589	-9%
Discount Rate	-1%	3.359	4.663	8.022	11%
Post-retirement mortality	1 year	2.920	4.104	7.024	-3%
Post-retirement mortality	-1 year	3.090	4.376	7.466	3%
Average retirement age	-1 year	3.078	4.238	7.316	1%
Continuation of membership at retirement	-10%	2.605	4.238	6.843	-6%

Sensitivity Analysis on Current-service and Interest Costs for year ending 30 June 2021

Assumption	Change	Current-service		Total	% change
		Cost (R)	Interest Cost (R)		
Central Assumption		34,000	689,000	723,000	
Health care inflation	1%	40,000	768,000	808,000	12%
Health care inflation	-1%	29,000	623,000	652,000	-10%
Discount Rate	1%	29,000	689,000	718,000	-1%
Discount Rate	-1%	39,000	687,000	726,000	0%
Post-retirement mortality	1 year	33,000	668,000	701,000	-3%
Post-retirement mortality	-1 year	35,000	711,000	746,000	3%
Average retirement age	-1 year	38,000	696,000	734,000	2%
Continuation of membership at retirement	-10%	29,000	650,000	679,000	-6%

3.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 63 employees were eligible for Long Service Bonuses.

The Current-service Cost for the year ending 30 June 2020 is R 80 410. The Current-service Cost for the ensuing year has been estimated to be R 81 000.

		2020 %	2019 %
Key actuarial assumptions used:			
i) Rate of interest			
Discount rate		6.60%	7.97%
General Salary Inflation (long-term)		3.60%	5.45%
Net Effective Discount Rate applied to salary-related Long Service Bonuses		2.90%	2.39%

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve. Consequently, a discount rate of 6.60% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 6.60% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 3.41%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the JSE after the market close on 25 June 2020.

Experience adjustments were calculated as follows:

	2020 Rm	2019 Rm
Liabilities: (Gain) / loss	112,138	97,386
Assets: Gain / (loss)	-	-

The experience adjustments in respect of periods commencing prior to the comparative year has been estimated as follows:

	2018 Rm	2017 Rm	2016 Rm
Liabilities: (Gain) / loss	88,534	(89,998)	(67,443)
Assets: Gain / (loss)	-	-	-

The amounts recognised in the Statement of Financial Position are as follows:

	2020 R	2019 R
Present value of fund obligations	971,000	933,769
Net liability/(asset)	971,000	933,769

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	933,769	875,025
Total expenses	(58,907)	28,932
Current service cost	80,410	73,424
Interest Cost	67,253	69,941
Benefits Paid	(206,570)	(114,433)
Actuarial losses/(gains)	96,138	29,812
Present value of fund obligation at the end of the year	971,000	933,769
Less: Transfer of Current Portion - Note 6	(219,000)	(183,393)
Balance 30 June	752,000	750,376

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		0.971	
General salary inflation	1%	1.017	5%
General salary inflation	-1%	0.933	-4%
Discount Rate	1%	0.929	-4%
Discount Rate	-1%	1.022	5%
Average retirement age	-2 yrs	0.944	-3%
Average retirement age	2 yrs	1.201	24%
Withdrawal rates	x 2	0.831	-14%
Withdrawal rates	x 0.5%	1.066	10%

Sensitivity Analysis on Current-service and Interest Costs for year ending 30 June 2021

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Assumption					
Central Assumption		81,000	57,000	138,000	
General salary inflation	1%	87,000	60,000	147,000	7%
General salary inflation	-1%	76,000	54,000	130,000	-6%
Discount Rate	1%	77,000	62,000	139,000	1%
Discount Rate	-1%	86,000	51,000	137,000	-1%
Average retirement age	-2 yrs	78,000	55,000	133,000	-4%
Average retirement age	2 yrs	95,000	72,000	167,000	21%
Withdrawal rates	x 2	62,000	48,000	110,000	-20%
Withdrawal rates	x 0.5%	95,000	63,000	158,000	14%

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

3 EMPLOYEE BENEFITS (CONTINUE)

3.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Consolidated retirement fund for local government is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

LA RETIREMENT FUND (PREVIOUSLY CAPE JOINT PENSION FUND)

2020

R

2019

R

The contribution rate payable is 9%, by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2019 revealed that the fund has a funding level of 100,7% (30 June 2018 - 103,7%).

CONSOLIDATED RETIREMENT FUND (PREVIOUSLY CAPE JOINT RETIREMENT FUND)

The contribution rate paid by the members (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2019 revealed that the fund has a funding level of 100,3% (30 June 2018 - 100%).

Contributions paid recognised in the Statement of Financial Performance	1,788,843	1,695,158
<hr/>		
4 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	10,353,521	12,591,198
Total Non-current Provisions	10,353,521	12,591,198
<hr/>		
<i>Landfill Sites</i>		
Balance 1 July	12,591,198	11,233,979
Balance previously reported	-	24,438,036
Correction of Error - Reverse incorrect calculation - Note 34.03	-	(24,438,036)
Correction of Error - Corrected calculation - Note 34.03	-	11,233,979
Increase/(Decrease) in Estimate	(3,198,508)	333,996
Balance previously reported	-	464,276
Correction of Error - Reverse incorrect calculation - Note 34.03	-	(464,276)
Correction of Error - Corrected calculation - Note 34.03	-	333,996
Increase/(Decrease) due to discounting	960,831	1,023,223
Balance previously reported	-	1,502,939
Correction of Error - Reverse incorrect calculation - Note 34.03	-	(1,502,939)
Correction of Error - Corrected calculation - Note 34.03	-	1,023,223
Total provision 30 June	10,353,521	12,591,198
<u>Less:</u> Transfer of Current Portion to Current Provisions	-	-
Balance 30 June	10,353,521	12,591,198

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

4

NON-CURRENT PROVISIONS (CONTINUE)

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	2020 Carnarvon	Vanwyksvlei	Vosburg
Preliminary and General (Rand)	1,453,884.42	463,173.12	426,696.46
Site Clearance and Preparation (Rand)	106,007.04	32,648.91	30,292.77
Storm Water Control Measures (Rand)	1,721,354.61	906,072.13	818,870.09
Capping (Rand)	6,730,756.37	2,106,909.70	1,946,072.93
Gas management (Rand)	422,168.80	251,992.00	241,839.41
Leachate Management (Rand)	1,404,601.87	10,756.65	10,756.65
Fencing (Rand)			

In terms of the licencing of the landfill-sites, the municipality will incur licensing and rehabilitation costs of R191 508 724 (2019: R202 171 932) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the government bond rate that reflects the risk for the liability as the municipality is a government institution.

<u>Discount rate:</u>	2020 %	2019 %
Carnarvon	10.632%	9.191%
Vanwyksvlei	11.462%	9.728%
Vosburg	9.456%	8.095%

The discount rate used to calculate the present value of the rehabilitation cost at each reporting period is based on calculated rate as determined by the municipality.

<u>Other assumptions:</u>	2020 Carnarvon	Vanwyksvlei	Vosburg
Area (m ²)	33,024.00	10,171.00	9,437.00
Environmental Authorisation (Closure Licence) (Rand)	467,232.50	467,232.50	467,232.50
Technical ROD (Rand)	96,442.90	96,442.90	96,442.90
Install Groundwater Monitoring Boreholes with lockable caps (includes drilling contractor site establishment) (Rand)	178,179.20	215,060.28	168,823.17
Landscape Architeds (Rand)	143,742.40	130,915.20	130,806.24
Water use licence (Rand)	20,000.00	20,000.00	20,000.00
Topographical Survey (Rand)	9,663.88	6,413.00	6,413.00
Contingencies (Rand)	1,183,877.31	377,155.25	347,452.83
Engineering: Professional Fees (Rand)	976,698.78	311,153.08	286,648.58
Site Supervision (Engineer's Representative) (Rand)	651,864.64	472,881.60	472,155.20
Site Supervision (Environmental Control Officer & OHS Agent) (Rand)	267,789.20	212,742.00	212,205.40

The municipality has an obligation to rehabilitate landfill sites at the end of expected useful life of the asset.

Total cost and estimated date of decommission of the sites are as follows:

Location	Estimated decommission date	Cost of rehabilitation	
		2020 R	2019 R
Carnarvon	2037	36,765,372	36,078,036
Vanwyksvlei	2084	144,976,718	157,116,410
Vosburg	2031	9,766,633	8,977,487
		<u>191,508,724</u>	<u>202,171,932</u>

<u>Change in size</u>	2020	2019	Movement in size	Cost per rehab (m ²)	R value of change
Area (m ²)	33,024	33,024	0	479	-
Carnarvon	10,171	10,171	0	598	-
Vanwyksvlei	9,437	9,437	0	600	-

<u>Change In PV</u>	2020	2019	Movement
Carnarvon	6,598,815.53	8,092,829	(1,494,013)
Vanwyksvlei	139,695.06	376,457	(236,762)
Vosburg	3,615,010.63	4,121,912	(506,901)
	<u>10,353,521</u>	<u>12,591,198</u>	<u>(2,237,676)</u>

<u>Change In PV</u>	2019	2018	Movement
Carnarvon	8,092,828.79	7,223,428	869,401
Vanwyksvlei	376,456.72	362,539	13,918
Vosburg	4,121,912.09	3,648,013	473,899
	<u>12,591,198</u>	<u>11,233,979</u>	<u>1,357,219</u>

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

4

NON-CURRENT PROVISIONS (CONTINUE)

<u>Change in unit rates</u>	2020	2019	Movement	R value
Carnarvon	479.48	460.73	18.75	619,200
Vanwyksvlei	597.93	569.05	28.88	293,738
Vosburg	600.05	572.47	27.58	260,272
				<u>1,173,211</u>

<u>Change in unit rates</u>	2019	2018	Movement	R value
Carnarvon	460.73	419.09	41.64	1,375,119
Vanwyksvlei	569.05	536.17	32.88	334,422
Vosburg	572.47	545.15	27.32	257,819
				<u>1,967,361</u>

5

CONSUMER DEPOSITS

	2020 R	2019 R
Water & Electricity	329,979	327,904
Total Consumer Deposits	329,979	327,904

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

6

CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits - Note 3	399,000	368,321
Current Portion of Long-Service Provisions - Note 3	219,000	183,393
Provision for Performance Bonuses	370,414	424,122
Provision for Annual Bonuses	276,327	284,211
Provision for Staff Leave	1,522,892	1,398,123
Total Current Employee Benefits	2,787,633	2,658,170

The movement in current employee benefits are reconciled as follows:

Current Portion of Post Retirement Benefits - Note 3

Balance at beginning of year	368,321	371,597
Transfer from non-current	382,001	368,321
Expenditure incurred	(351,322)	(371,597)
Balance at end of year	<u>399,000</u>	<u>368,321</u>

Current Portion of Long-Service Provisions - Note 3

Balance at beginning of year	183,393	97,458
Transfer from non-current	242,177	200,368
Expenditure incurred	(206,570)	(114,433)
Balance at end of year	<u>219,000</u>	<u>183,393</u>

Provision for Performance Bonuses

Balance at beginning of year	424,122	271,172
Contribution to current portion	267,134	419,700
Expenditure incurred	(320,842)	(266,750)
Balance at end of year	<u>370,414</u>	<u>424,122</u>

Performance bonuses are being paid to Municipal Manager and Managers after an evaluation of performance was approved by the council. There is no possibility of reimbursement.

Provision for Staff Leave

Balance at beginning of year	1,398,123	1,203,402
Contribution to current portion	599,147	412,127
Expenditure incurred	(474,378)	(217,407)
Balance at end of year	<u>1,522,892</u>	<u>1,398,123</u>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave up to 48 days, at reporting date. This provision will be realised as employees take leave.

Provision for Annual Bonuses

Balance at beginning of year	284,211	283,650
Contribution to current portion	(7,884)	561
Balance at end of year	<u>276,327</u>	<u>284,211</u>

Annual bonuses are being paid to Municipal personnel after one full year's service. There is no possibility of reimbursement.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
7 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade Payables		1,164,372	1,812,753
Payments received in advance		324,752	145,249
Total Trade Payables		1,489,124	1,958,002

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary. Payables are being recognised net of any discounts.

		2020 R	2019 R
8 UNSPENT TRANSFERS AND SUBSIDIES			
Unspent Grants		791,984	14,304,758
National and Provincial Government Grants		791,984	14,304,758
Other Sources		-	-
Less: Unpaid Grants		2,177,853	-
National and Provincial Government Grants		2,177,853	-
Total Conditional Grants and Receipts		(1,385,869)	14,304,758

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

		2020 R	2019 R
9 TAXES			
VAT Payable		-	-
Less: Contribution to provision for impairment of trade receivables from exchange transactions		-	+

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

10 PROPERTY, PLANT AND EQUIPMENT

10.1 30 JUNE 2020

Reconciliation of Carrying Value

	Cost	Disposals/Revaluation/ Transfers R	Additions R	Opening Balance R	Closing Balance R	Opening Balance R	Closing Balance R	Depreciation Charge R	Disposals R	Closing Balance R	Accumulated Depreciation	Carrying Value
Reconciliation of Carrying Value												
Land and Buildings												
Land	24,788,148	-	(485,200)	24,302,948	405	-	405	622,378	65,826	-	688,204	23,614,339
Buildings	22,218,460	-	(485,200)	21,733,260	405	-	405	622,378	65,826	-	688,204	21,733,260
Buildings	2,569,688	-	2,569,688	-	-	-	-	-	-	-	1,881,079	1,881,079
Infrastructure												
Electricity	150,086,701	5,684,042	(587,086)	155,184,458	-	-	-	21,549,221	4,262,109	(587,086)	25,224,244	129,980,213
Road Transport	6,769,829	-	(64,454)	6,705,175	-	-	-	1,116,758	255,179	(64,454)	1,307,483	5,397,692
Sanitation	53,793,521	3,080,428	(840,252)	57,714,011	-	-	-	10,411,789	1,693,568	(222,765)	11,882,692	45,831,319
Solid Waste Disposal	23,945,153	-	(122,548)	23,722,605	-	-	-	4,657,872	572,296	(122,548)	5,107,621	18,614,984
Stormwater	488,000	-	488,000	-	-	-	-	117,231	13,970	-	131,101	386,889
Water Supply	9,303,976	5,653,885	961,372	15,916,933	-	-	-	753,284	212,142	(16,673)	948,753	14,970,181
Landfill Sites	33,773,318	-	(160,645)	33,612,673	-	-	-	3,753,854	830,164	(160,645)	4,423,372	29,189,301
WIP	11,567,974	(3,198,508)	(2,041,063)	8,369,467	-	-	-	738,432	684,791	-	1,423,223	6,946,244
Landfill Sites	10,545,129	149,527	-	8,653,594	-	-	-	-	-	-	8,653,594	8,653,594
Community Assets												
Community Assets	13,559,554	136,261	-	13,695,815	61,383	-	61,383	1,905,904	420,803	-	2,326,707	11,307,725
Recreation Grounds	10,119,940	-	-	10,119,940	60,248	-	60,248	1,360,870	345,497	-	1,706,367	8,353,325
Civil Buildings	1,446,823	-	-	1,446,823	-	-	-	26,199	2,191	-	28,290	94,070
Cemetery	360,000	-	-	360,000	-	-	-	197,587	31,442	-	229,029	1,217,794
Museum	360,800	-	-	360,800	-	-	-	76,707	6,438	-	83,145	276,855
Clinic	1,035,620	136,261	-	1,171,881	-	-	-	72,530	6,006	-	78,535	282,285
Libraries	29,279	-	-	29,279	-	-	-	141,826	26,730	-	168,556	1,003,325
Parks & Gardens	84,731	-	-	84,731	1,135	-	1,135	6,801	574	-	7,474	21,805
Public Conveniences/Bathhouses	-	-	-	-	-	-	-	23,385	1,925	-	25,310	58,286
Other Assets												
Motor Vehicles	7,594,722	150,491	(372,095)	7,373,118	-	-	-	5,099,292	645,715	(365,865)	5,379,142	1,993,976
Plant & Equipment	3,086,300	-	(256,707)	2,830,593	-	-	-	2,380,754	169,995	(256,707)	2,304,042	505,551
Office Equipment	1,620,237	16,608	(5,839)	1,631,005	-	-	-	1,119,760	174,382	(5,839)	1,288,304	342,702
Furniture & Fittings	70,705	76,283	(39,843)	737,145	-	-	-	364,146	78,733	(39,843)	403,036	334,109
Furniture & Fittings	759,203	-	(26,846)	732,357	-	-	-	537,367	44,015	(26,846)	554,556	177,820
Fire Engines	2,648	-	2,051	-	-	-	-	2,221	45	(597)	450,841	383
Computer Equipment	977,680	56,204	(36,032)	997,852	-	-	-	315,780	171,094	(36,032)	376,715	547,011
Refuse Tankers	392,736	-	382,736	-	-	-	-	369,264	7,452	-	-	16,021
Game	75,214	1,396	(6,230)	70,380	-	-	-	-	-	-	-	70,380
	196,029,124	5,971,594	(1,444,381)	200,556,338	61,788	-	61,788	29,176,794	5,394,454	(952,951)	33,616,297	166,876,253

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

10 PROPERTY, PLANT AND EQUIPMENT

10.2 30 JUNE 2019

	Reconciliation of Carrying Value		Cost		Disposals/Revaluation/Transfers		Opening Balance		Closing Balance		Accumulated Impairments		Accumulated Depreciation		Carrying Value			
	Opening Balance R	R	Additions R	R	Closing Balance R	R	Opening Balance R	R	Closing Balance R	R	Additions/ Disposal R	R	Depreciation Charge R	R	Disposals R	R	Closing Balance R	R
Land and Buildings	24,788,148	-	-	-	24,788,148	405	-	-	405	556,552	556,552	65,826	-	-	-	622,378	24,165,365	
Land Buildings	22,218,460	-	-	-	22,218,460	405	-	-	405	556,552	556,552	65,826	-	-	-	622,378	22,218,460	
Infrastructure	2,569,688	-	-	-	2,569,688	-	-	-	-	-	-	-	-	-	-	1,946,905	1,946,905	
Electricity	5,220,314	678,678	870,638	679,629	-	-	-	-	-	942,412	174,345	1,588,490	(64,623)	1,116,758	5,652,871	5,652,871		
Road Transport	50,540,889	3,240,887	11,746	53,793,521	-	-	-	-	-	8,887,923	681,147	10,411,769	43,381,173	43,381,173	43,381,173	43,381,173		
Solid Waste Disposal	22,518,245	1,326,908	-	23,845,153	-	-	-	-	-	3,976,726	-	4,687,872	19,187,280	19,187,280	19,187,280	19,187,280		
Stormwater	488,000	-	749,518	16,225	488,000	-	-	-	-	103,361	13,870	-	117,231	370,769	370,769	370,769	370,769	
Water Supply	8,538,234	-	-	-	9,303,976	-	-	-	-	584,157	169,127	763,284	-	8,550,692	8,550,692	8,550,692	8,550,692	
Landfill Sites	13,625,995	19,287,569	860,654	33,773,318	-	-	-	-	-	3,214,726	620,293	(81,165)	3,753,854	30,015,465	30,015,465	30,015,465	30,015,465	
Landfill Sites	11,233,979	333,996	-	11,567,974	-	-	-	-	-	-	738,432	-	-	738,432	10,829,542	10,829,542	10,829,542	10,829,542
Balance previously reported	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Correction of Error - Note 34.01	11,233,979	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIP	9,837,500	2,612,680	(1,905,051)	10,545,129	-	-	-	-	-	-	-	-	-	-	-	-	10,545,129	10,545,129
Community Assets	13,362,604	196,956	-	13,659,654	11,383	50,000	61,383	1,498,784	1,498,784	419,120	-	1,905,904	11,592,267	11,592,267	11,592,267	11,592,267		
Recreation Grounds	10,119,940	-	-	10,119,940	10,246	50,000	60,248	-	-	1,014,236	23,908	346,634	-	1,360,870	8,668,922	8,668,922	8,668,922	8,668,922
Civil Buildings	122,360	-	-	122,360	-	-	-	-	-	1,446,823	1,446,823	166,145	31,442	-	197,587	197,587	197,587	197,587
Cemetery	1,446,823	-	-	-	-	-	-	-	-	-	-	70,268	70,268	-	76,707	76,707	76,707	76,707
Museum	360,000	-	-	360,000	-	-	-	-	-	360,800	360,800	66,524	6,006	-	72,530	72,530	72,530	72,530
Clinic	360,800	-	-	-	-	-	-	-	-	1,035,620	1,035,620	117,916	23,910	-	141,826	141,826	141,826	141,826
Libraries	838,670	196,950	-	935,620	-	-	-	-	-	29,279	6,327	6,901	5,74	-	893,794	893,794	893,794	893,794
Parks & Gardens	84,731	-	-	84,731	1,135	-	-	-	-	84,731	21,459	1,925	1,925	-	23,355	23,355	23,355	23,355
Public Conveniences/Bathhouses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60,211	60,211	60,211	60,211
Other Assets	7,234,195	689,759	(329,231)	7,594,722	1,339	(1,339)	-	-	-	4,776,698	607,975	(285,281)	5,039,232	2,495,330	2,495,330	2,495,330	2,495,330	
Motor Vehicles	3,195,388	-	(130,089)	3,066,300	-	-	-	-	-	1,610,124	1,620,237	2,337,442	183,401	(130,089)	2,390,754	675,545	675,545	675,545
Plant & Equipment	13,134	-	(3,021)	(24,243)	-	-	-	-	-	507,889	217,059	965,721	157,060	(3,021)	1,119,760	500,176	500,176	500,176
Office Equipment	-	-	(46,224)	70,705	-	-	-	-	-	805,427	-	315,767	72,622	(24,243)	364,146	336,559	336,559	336,559
Furniture & Fittings	2,648	-	-	759,203	-	-	-	-	-	612,840	(81,704)	519,910	63,680	(46,224)	537,367	22,836	22,836	22,836
Fire Engines	446,544	-	-	2,648	-	-	-	-	-	392,736	75,214	2,135	85	-	2,221	428	428	428
Computer Equipment	612,840	-	-	977,680	-	-	-	-	-	392,736	1,339	361,812	7,452	(81,704)	315,780	661,900	661,900	661,900
Refuse Tankers	392,736	-	-	-	-	-	-	-	-	-	-	-	-	-	369,264	23,472	23,472	23,472
Game	106,143	13,022	(43,961)	48,661	61,788	-	-	-	-	-	-	-	-	-	-	75,214	75,214	75,214
	167,387,200	28,116,943	(475,019)	196,029,124	13,126	48,661	61,788	24,529,238	24,529,238	5,078,625	(431,068)	5,078,625	29,176,794	166,790,543	166,790,543	166,790,543	166,790,543	

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
10	PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
10.03	Property, Plant and Equipment which is in the process of being constructed or developed:		
Infrastructure Assets		8,653,594	10,545,129
Roads		149,527	2,041,063
Electricity		325,449	325,449
Water Supply		8,178,617	8,178,617
Community Assets		-	-
Total		<u>8,653,594</u>	<u>10,545,129</u>
 The movements for the year can be reconciled as follows:			
Balance at beginning of year		10,545,129	9,837,500
Expenditure during the year		9,019,611	28,093,189
Assets unbundled during the year		(10,911,147)	(27,385,559)
Impairment recognised during the year		-	-
Balance at end of year		<u>8,653,593</u>	<u>10,545,129</u>
10.04	Property, Plant and Equipment that is taking a significantly longer period of time to complete than expected:		
Infrastructure Assets		8,504,066	8,178,617
Electricity		325,449	-
Water Supply		8,178,617	8,178,617
Community Assets		-	-
Total		<u>8,504,066</u>	<u>8,178,617</u>
 No funding was allocated for 2019/2020 from the DOE (Department of Energy) for the completion of the Kokkies dorp electricity project. Tender awarding problems in 2017/2018 for the completion of the Bulk Water Supply: Vanwyksvlei/Carnarvon.			
10.05	Property, Plant and Equipment where construction or development has been halted:		
Infrastructure Assets		8,504,066	8,178,617
Electricity		325,449	-
Water Supply		8,178,617	8,178,617
Total		<u>8,504,066</u>	<u>8,178,617</u>
 No funding was allocated for 2019/2020 from the DOE (Department of Energy) for the completion of the Kokkies dorp electricity project. Tender awarding problems in 2017/2018 for the completion of the Bulk Water Supply: Vanwyksvlei/Carnarvon.			
10.06	Expenditure incurred to repair and maintain Property, Plant and Equipment:		
Other materials		643,156	871,339
Contracted Services		134	70,993
Total Repairs and Maintenance		<u>643,290</u>	<u>942,331</u>
10.07	Assets pledged as security:		
No assets are pledged as security.			
10.08	Third party payments received for losses incurred:		
Payments received (Excluding VAT)		-	-
Carrying value of assets written off/lost		-	-
Surplus/Deficit		-	-
10.09	Impairment losses of Property, Plant and Equipment		
Impairment losses on Property, Plant and Equipment recognised in Statement of Financial Performance are as follows:			
Community Assets		-	50,000
Total		<u>-</u>	<u>50,000</u>
10.10	Reversal of Impairment losses of Property, Plant and Equipment		
Reversal of Impairment losses on Property, Plant and Equipment recognised in statement of financial performance are as follows:			
Other		-	(1,339)
Total		<u>-</u>	<u>(1,339)</u>

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

10.11 Effect of changes in accounting estimates

The effect of a change in accounting estimate will have on the current period and subsequent periods:

	2020 R	2021 R	2022 R
Effect on Property, plant and equipment	(171,344)	(171,344)	(171,344)

10.12 Details of Valuation

The effective date of the valuations was 1 July 2018. Valuations were performed by an independent valuer, HCB Valuators. Land and Buildings are revalued independently every 5 years.

10.13 Contractual commitments for acquisition of Property, Plant and Equipment:

Approved and contracted for:	-	5,598,435
Infrastructure	-	5,598,435
Total	-	5,598,435
This expenditure will be financed from:		
Government Grants	-	5,598,435
Total	-	5,598,435

10.14 Land is controlled, but Kareeberg Municipality is not the legal owner/custodian

Carrying amount at year end	-	-
Total	-	-

10.15 Land is not controlled, but Kareeberg Municipality is the legal owner/custodian

No of Low Cost Houses	-	-
Total	-	-

11 INVESTMENT PROPERTY

Net Carrying amount at 1 July	15,412,204	15,425,146
Cost	15,562,100	15,562,100
Accumulated Depreciation	(149,896)	(136,954)
Depreciation for the year	(12,941)	(12,941)
Transfers from Property, Plant and equipment	485,200	-
Net Carrying amount at 30 June	15,884,463	15,412,204
Cost	16,047,300	15,562,100
Accumulated Depreciation	(162,837)	(149,896)

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs and maintenance or enhancements.

Estimated Fair Value of Investment Property at 30 June	21,048,700	20,114,700
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Fair value was determined by valuation roll.

11.01 Revenue from Investment Property

Revenue derived from the rental of Investment Property	373,495	261,590
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11.02 Operating Expenditure incurred on properties:

	Repairs and Maintenance	Other Operating Expenditure
Revenue Generating	15,543	219
Improved Property	15,543	219
Unimproved Property	-	-
Non-revenue Generating	-	-
Improved Property	-	-
Unimproved Property	-	-
Total Operating Expenditure	15,543	219

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
11 INVESTMENT PROPERTY (CONTINUED)			
11.03 Investment Property which is in the process of being constructed or developed:			
Revenue Generating		-	-
Improved Property		-	-
Unimproved Property		-	-
Non-revenue Generating		-	-
Improved Property		-	-
Unimproved Property		-	-
Total		-	-
The movements for the year can be reconciled as follows:			
Balance at beginning of year		-	-
Expenditure during the year		-	-
Assets unbundled during the year		-	-
Impairment recognised during the year		-	-
Balance at end of year		-	-
11.04 Investment Property that is taking a significantly longer period of time to complete than expected:			
Revenue Generating		-	-
Improved Property		-	-
Unimproved Property		-	-
Non-revenue Generating		-	-
Improved Property		-	-
Unimproved Property		-	-
Total		-	-
No reason required			
11.05 Investment Property where construction or development has been halted:			
Revenue Generating		-	-
Improved Property		-	-
Unimproved Property		-	-
Non-revenue Generating		-	-
Improved Property		-	-
Unimproved Property		-	-
Total		-	-
No reason required			
11.06 Impairment losses of Investment Property			
Impairment losses on Investment Property recognised in Statement of Financial Performance are as follows:			
Revenue Generating		-	-
Improved Property		-	-
Unimproved Property		-	-
Non-revenue Generating		-	-
Improved Property		-	-
Unimproved Property		-	-
Total Impairment Losses		-	-
11.07 Reversal of Impairment losses of Investment Property			
Reversal of Impairment losses on Investment Property recognised in statement of financial performance are as follows:			
Revenue Generating		-	-
Improved Property		-	-
Unimproved Property		-	-
Non-revenue Generating		-	-
Improved Property		-	-
Unimproved Property		-	-
Total Reversal of Impairment losses		-	-

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
11	INVESTMENT PROPERTY (CONTINUED)		
11.08	Investment Property (Land) is controlled, but Kareeberg Municipality is not the legal owner/custodian		
	Carrying amount at year end	-	-
	Total	-	-
11.09	Investment Property (Land) is not controlled, but Kareeberg Municipality is the legal owner/custodian		
	No of Low Cost Houses	-	-
	Total	-	-
12	INTANGIBLE ASSETS	2020 R	2019 R
	Computer Software		
	Net Carrying amount at 1 July	26,631	14,136
	Acquisitions	21,846	16,602
	Disposals	(1,004)	(4)
	Amortisation	(11,234)	(4,108)
	Disposal Amortisation	1,004	4
	Net Carrying amount at 30 June	37,243	26,631
	Cost	63,154	42,312
	Accumulated Amortisation	(25,911)	(15,681)
12.01	Material Intangible Assets included in the carrying value:		
	Description	Remaining Amortisation Period	Carrying Value
	Microsoft Office	2-5	2020 R
			2019 R
	No intangible asset were assessed having an indefinite useful life.		37,243
	There are no internally generated intangible assets at reporting date.		26,631
	There are no intangible assets whose title is restricted.		
	There are no intangible assets pledged as security for liabilities		
	There are no contractual commitments for the acquisition of intangible assets.		
12.02	Research and Development Costs:	2020 R	2019 R
	Research Expenditure	-	-
	Development Expenditure	-	-
	Total Research and Development Expenditure	-	-
12.03	Intangible Assets which is in the process of being constructed or developed:		
	Servitudes	-	-
	Computer Software	-	-
	Licences and Rights	-	-
	Total	-	-
	The movements for the year can be reconciled as follows:		
	Balance at beginning of year	-	-
	Expenditure during the year	-	-
	Assets unbundled during the year	-	-
	Impairment recognised during the year	-	-
	Balance at end of year	-	-
12.04	Intangible Assets that is taking a significantly longer period of time to complete than expected:		
	Servitudes	-	-
	Computer Software	-	-
	Licences and Rights	-	-
	Total	-	-
	No reason required		

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
12	INTANGIBLE ASSETS (CONTINUED)		
12.05	Intangible Assets where construction or development has been halted:		
Servitudes		-	-
Computer Software		-	-
Licences and Rights		-	-
Total		<hr/> <hr/>	<hr/> <hr/>
No reason required			
12.06	Impairment losses of Intangible Assets		
Impairment losses on Intangible Assets recognised in Statement of Financial Performance are as follows:			
Servitudes		-	-
Computer Software		-	-
Licences and Rights		-	-
Total Impairment Losses		<hr/> <hr/>	<hr/> <hr/>
12.07	Reversal of Impairment losses of Intangible Assets		
Reversal of Impairment losses on Intangible Assets recognised in statement of financial performance are as follows:			
Servitudes		-	-
Computer Software		-	-
Licences and Rights		-	-
Total Reversal of Impairment losses		<hr/> <hr/>	<hr/> <hr/>
13	HERITAGE ASSETS	2020 R	2019 R
Net Carrying amount at 1 July		14,900	14,900
Transfers to Property, Plant and equipment		<hr/>	<hr/>
Net Carrying amount at 30 June		14,900	14,900
Cost		<hr/> <hr/>	<hr/> <hr/>
There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.			
There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.			
There are no Heritage Assets pledged as security for liabilities			
There are no Heritage Assets that are used by the municipality for more than one purpose.			
13.01	Third party payments received for losses and impairments incurred:		
Payments received (Excluding VAT)		-	-
Carrying value of assets written off/lost/impaired		<hr/>	<hr/>
Surplus/Deficit		<hr/> <hr/>	<hr/> <hr/>
13.02	Expenditure incurred to repair and maintain Heritage Assets:		
Employee related costs		-	-
Other materials		-	-
Contracted Services		-	-
Other Expenditure		-	-
Total Repairs and Maintenance		<hr/> <hr/>	<hr/> <hr/>
13.03	Heritage Assets which is in the process of being constructed or developed:		
Monuments		-	-
Historic Buildings		-	-
Works of Art		-	-
Conservation Areas		-	-
Other Heritage		<hr/>	<hr/>
Total		<hr/> <hr/>	<hr/> <hr/>

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
13 HERITAGE ASSETS (CONTINUED)			
	The movements for the year can be reconciled as follows:		
Balance at beginning of year		-	-
Expenditure during the year		-	-
Assets unbundled during the year		-	-
Impairment recognised during the year		-	-
Balance at end of year		<hr/> <hr/>	<hr/> <hr/>
13.04 Heritage Assets that is taking a significantly longer period of time to complete than expected:			
Monuments		-	-
Historic Buildings		-	-
Works of Art		-	-
Conservation Areas		-	-
Other Heritage		-	-
Total		<hr/> <hr/>	<hr/> <hr/>
No reason required			
13.05 Heritage Assets where construction or development has been halted:			
Monuments		-	-
Historic Buildings		-	-
Works of Art		-	-
Conservation Areas		-	-
Other Heritage		-	-
Total		<hr/> <hr/>	<hr/> <hr/>
No reason required			
13.06 Impairment losses of Heritage Assets			
Impairment losses on Heritage Assets recognised in Statement of Financial Performance are as follows:			
Monuments		-	-
Historic Buildings		-	-
Works of Art		-	-
Conservation Areas		-	-
Other Heritage		-	-
Total Impairment Losses		<hr/> <hr/>	<hr/> <hr/>
13.07 Reversal of Impairment losses of Heritage Assets			
Reversal of Impairment losses on Heritage recognised in statement of financial performance are as follows:			
Monuments		-	-
Historic Buildings		-	-
Works of Art		-	-
Conservation Areas		-	-
Other Heritage		-	-
Total Reversal of Impairment losses		<hr/> <hr/>	<hr/> <hr/>

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
14	CAPITALISED RESTORATION COST		
	Net Carrying amount at 1 July		
	Balance previously reported	1,708,738	
	Correction of Error - Reverse incorrect calculation - Note 34.02	(1,708,738)	
	Change in estimates		
	Balance previously reported	464,276	
	Correction of Error - Reverse incorrect calculation - Note 34.02	(464,276)	
	Depreciation		
	Balance previously reported	(73,086)	
	Correction of Error - Reverse incorrect calculation - Note 34.02	73,086	
	Impairment		
	Balance previously reported	(2,936)	
	Correction of Error - Reverse incorrect calculation - Note 34.02	2,936	
	Net Carrying amount at 30 June		
	Cost		
	Accumulated Depreciation	-	
	Accumulated Impairments	-	
	Restoration cost financed by way of a provision - Refer to note 4 for further details		
15	LONG TERM RECEIVABLES	2020 R	2019 R
	Officials' Housing Loans - At amortised cost	18,549	23,516
	Less: Unamortised Discount on Loans	(1,633)	(2,598)
	Balance 1 July	(2,598)	(3,731)
	Adjustment for the period	966	1,133
		16,916	20,918
	Less: Current portion transferred to current receivables	(5,170)	(4,967)
	Officials Housing Loans - At amortised cost	(5,170)	(4,967)
	Less: Provision for Impairment of Long Term Receivables	11,747	15,951
	Total Long Term Receivables	<u>11,747</u>	<u>15,951</u>
	STAFF HOUSING LOANS		
	Staff was entitled to housing loans which attract interest at 4% per annum and which are repayable over a maximum period of 20 years. When an employee resigns, the outstanding amount must be settled. These loans are secured since the Council is the bond holder.		
16	INVENTORY	2020 R	2019 R
	Consumable Stores - Materials - At cost	546,936	546,936
	Total Inventory	<u>546,936</u>	<u>546,936</u>
	Consumable stores materials written down due to losses as identified during the annual stores counts.	-	-
	Consumable stores materials surpluses identified during the annual stores counts.	-	-
	No inventory assets were pledged as security for liabilities.		

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

17

	2020 R	2019 R
RECEIVABLES FROM EXCHANGE TRANSACTIONS		
<i>Service Receivables</i>		
Water	2,185,384	1,827,617
Electricity	2,227,309	1,637,448
Refuse	1,923,582	1,465,731
Sewerage	1,395,250	1,266,448
Payments received in advance	324,752	145,249
Total Service Receivables	8,056,276	6,342,493
Less: Provision for Impairment	(6,511,476)	(4,560,307)
Net Service Receivables	1,544,800	1,782,187
<i>Other Receivables</i>		
Sundry Receivables	2,156,361	1,006,494
Rentals	904,550	670,440
VAT	1,460,941	1,180,493
Total Other Receivables	4,521,852	2,857,427
Less: Provision for Impairment	(930,423)	(670,440)
Less: Contribution to provision for VAT impairment of trade receivables from exchange transactions	(1,217,654)	(923,317)
Net Other Receivables	2,373,776	1,263,671
Total Net Receivables from Exchange Transactions	3,918,576	3,045,857
Ageing of Receivables from Exchange Transactions		
<i>(Electricity): Ageing</i>		
Current (0 - 30 days)	384,009	509,280
31 - 60 Days	8,037	320,491
61 - 90 Days	495,185	102,431
+ 90 Days	1,340,077	705,247
Total	2,227,309	1,637,448
<i>(Water): Ageing</i>		
Current (0 - 30 days)	(81,798)	125,146
31 - 60 Days	17,011	411,690
61 - 90 Days	326,224	135,759
+ 90 Days	1,923,947	1,155,021
Total	2,185,384	1,827,617
<i>(Refuse): Ageing</i>		
Current (0 - 30 days)	241,413	1,277
31 - 60 Days	16,293	278,137
61 - 90 Days	124,677	100,954
+ 90 Days	1,541,198	1,085,363
Total	1,923,582	1,465,731
<i>(Sewerage): Ageing</i>		
Current (0 - 30 days)	144,036	32,146
31 - 60 Days	6,970	381,420
61 - 90 Days	111,997	121,639
+ 90 Days	1,132,248	731,243
Total	1,395,250	1,266,448
<i>(Sundry Receivables): Ageing</i>		
Current (0 - 30 days)	133,601	824,642
31 - 60 Days	4,000	69,987
61 - 90 Days	587,665	1,936
+ 90 Days	1,431,096	109,929
Total	2,156,361	1,006,494
<i>(VAT): Ageing</i>		
Current (0 - 30 days)	243,287	257,176
31 - 60 Days	-	-
61 - 90 Days	1,217,654	923,317
+ 90 Days	-	-
Total	1,460,941	1,180,493
<i>(Rentals): Ageing</i>		
Current (0 - 30 days)	240	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	904,310	670,440
Total	904,550	670,440

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

18

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

2020
R

2019
R

Service Receivables				
Availability Charges		287,576	314,671	
Rates		5,696,766	3,008,522	
Total Service Receivables		5,984,342	3,323,193	
Less: Provision for Impairment		(5,694,767)	(3,269,974)	
Net Service Receivables		289,575	53,219	
 Total Net Receivables from Non-Exchange Transactions		289,575	53,219	
 Ageing of Receivables from Non-Exchange Transactions				
<i>(Availability Charges): Ageing</i>				
Current (0 - 30 days)		60,290	18,175	
31 - 60 Days		204	24,276	
61 - 90 Days		110,845	10,897	
+ 90 Days		116,236	261,322	
Total		287,576	314,671	
<i>(Rates): Ageing</i>				
Current (0 - 30 days)		-	18,244	
31 - 60 Days		-	-	
61 - 90 Days		-	-	
+ 90 Days		5,696,766	2,990,279	
Total		5,696,766	3,008,522	
 Summary of Receivables by Customer Classification				
	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
 2020				
Total Receivables	14,923,329	43,431	3,595,710	18,562,470
Less: Provision for Impairment	(13,136,665)	-	-	(13,136,665)
Less: Provision for Impairment (VAT)	(1,217,654)	-	-	(1,217,654)
Total Recoverable debtors by customer classification	569,010	43,431	3,595,710	4,208,152
 Summary of Receivables by Customer Classification				
	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
 2019				
Total Receivables	10,686,899	194,843	1,641,372	12,523,113
Less: Provision for Impairment	(8,500,721)	-	-	(8,500,721)
Less: Provision for Impairment (VAT)	(923,317)	-	-	(923,317)
Total Recoverable debtors by customer classification	1,262,861	194,843	1,641,372	3,099,076
 Receivables Impaired				
	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's	
 2020				
Total	7,441,898	5,694,767	13,136,665	
 2019				
	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's	
Total	5,230,747	3,269,974	8,500,721	
Monthly rate debts are required to be settled after 30 days, interest is charged on rates after this date at prime +1%.				
The fair value receivables approximates their carrying amounts.				
 Reconciliation of the Total doubtful debt provision				
	2020 R		2019 R	
Balance at beginning of the year		8,500,721	4,542,937	
Contributions to provision		4,635,944	3,957,784	
Impairment written off against provision		-	-	
Balance at end of year	13,136,665		8,500,721	

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
19	OPERATING LEASE ARRANGEMENTS		
	The Municipality as Lessor		
	Balance on 1 July	33,870	37,909
	Operating Lease Asset for the current year	(8,292)	(4,039)
	Balance on 30 June	25,578	33,870

The municipality is leasing a piece of land to MTN for a period of 60 months with escalations of CPI with a maximum of 10% per year.

The municipality is leasing a piece of land at Vanwyksvlei to Vodacom for a period of 119 months with escalations of CPI with a maximum of 10% per year.

The municipality is leasing a piece of land at Vosburg to Vodacom for a period of 60 months with escalations of CPI with a maximum of 10% per year. Not yet renewed.

The municipality is leasing a piece of land at Vosburg to Sentech for a period of 60 months with escalations of CPI with a maximum of 10% per year.

The municipality is leasing a piece of land (Jagpan and Dubbelevlei) to emerging farmers for a period of 60 months with escalations of 6% per year.

	2020 R	2019 R
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	270,077	262,664
2 to 5 Years	334,327	210,038
More than 5 Years	84	85
Total Operating Lease Arrangements	604,488	472,787

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The lease is in respect of land being leased by MTN until 2022.

The lease is in respect of land being leased by Vodacom until 2022.

The lease is in respect of land being leased by Vodacom until 2017-18.

The lease is in respect of land being leased by Sentech until 2022.

The lease is in respect of land (Jagpan and Dubbelevlei) being leased by emerging farmers until 2020-21.

The municipality does not engage in any sub-lease arrangements.

The municipality did not receive any contingent rent during the year

	2020 R	2019 R
20	CASH AND CASH EQUIVALENTS	
Assets		
Call Investments Deposits	24,350,452	42,170,213
Primary Bank Account (Cash book)	295,308	257,876
Total Cash and Cash Equivalents - Assets	24,645,759	42,428,089

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Call Investments Deposits to an amount of R791 984 are held to fund the Unspent Conditional Grants (2019: R14 304 758).

Kareeberg Municipality do not have a bank overdraft facility.

	2020 R	2019 R
The municipality has the following bank accounts:		
Current Accounts		
Carnarvon ABSA - Account Number 40 50 475 166 (Primary Bank Account):	295,308	257,876
	295,308	257,876
Carnarvon ABSA - Account Number 40 50 475 166 (Primary Bank Account):		
Cash book balance at beginning of year	257,876	483,234
Cash book balance at end of year	295,308	257,876
Bank statement balance at beginning of year	1,006,823	1,589,711
Bank statement balance at end of year	1,000,655	1,006,823

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

20	CASH AND CASH EQUIVALENTS (CONTINUED)			2020 R	2020 R	2019 R
	<u>Call Investment Deposits</u>			Bank Certificates (excl. accruals)		
	Call investment deposits consist out of the following accounts:					
	Account no.	Place of investment	Name of fund			
	08-870-5536-003	STANDARD BANK	Capital Replacement Reserve	11,347,812	11,347,812	11,347,812
	20-7477-9380	ABSA	Housing Fund	50,721	50,721	48,202
	20-7477-9380	ABSA	Job creation - De Bult	51,318	51,318	48,769
	20-7477-9380	ABSA	Land development	22,035	22,035	20,940
	20-7477-9380	ABSA	Land development (Vanwyksvlei)	20,101	20,101	19,103
	20-7477-9380	ABSA	Land development (Vosburg)	38,430	38,430	36,521
	08-870-543-9	STANDARD BANK	Civil Defence	20,944	20,944	20,944
	03-7881-142-979-0	Nedbank	RBIG - Vanwyksvlei Pipeline	-	-	13,537,276
	20-7477-9380	ABSA	CMIP Kwaggakolk(VAT)	803	803	765
	08-870-5536-002	STANDARD BANK	Sanitation Interest/VAT	184,441	184,441	184,441
	20-7477-9380	ABSA	Electricity	46,231	46,231	43,933
	20-7477-9380	ABSA	Water Services Plan	4,318	4,318	4,104
	20-7477-9380	ABSA	CMIP-Saalpoort project 301	4,741	4,741	4,505
	20-7477-9380	ABSA	EPWP - Paving/ Cleaning	31,249	31,249	29,698
	20-7477-9380	ABSA	Lotto Carnarvon	2,397	2,397	2,278
	20-7477-9380	ABSA	Lotto Vosburg	42,330	42,330	40,228
	20-7477-9380	ABSA	Transfer Fees Sub-Economic Housing	179,532	179,532	170,593
	20-7477-9380	ABSA	VB Cleaning Project	33,804	33,804	32,126
	20-7477-9380	ABSA	VAT - retention	15,678	15,678	14,899
	92-1221-8064	ABSA	Municipal Infrastructure Grant	(2,177,853)	(2,177,853)	
	92-1221-8064	ABSA	Youth Development	93,632	93,632	93,632
	92-1221-8064	ABSA	Leave Fund	2,864,306	2,864,306	3,040,225
	92-8504-7305	ABSA	Retention	1,082,889	1,082,889	1,812,753
	92-1221-8064	ABSA	Provision for Employee benefits	2,000,000	2,000,000	2,000,000
	92-1221-8064	ABSA				
	08-871-0777	STANDARD BANK	General Account	6,190,593	6,190,593	3,429,514
	9286173395	ABSA				
	03-7881-142-979-0	Nedbank	General Account	-	-	6,186,949
	088705536-006	STANDARD BANK	General Account	2,200,000	2,200,000	-
				24,350,452	24,350,452	42,170,213
21	PROPERTY RATES			2020 R	2019 R	
	<u>Actual</u>					
	Rateable Land and Buildings					
	Residential, Commercial Property					
		Residential, Commercial Property		14,747,805	13,821,193	
		Less: Equitable Share		13,577,798	11,087,357	
		State - National / Provincial Services		14,211,213	11,828,909	
				(633,415)	(741,552)	
				1,170,006	2,733,836	
		Less: Reductions				
		Less: Rebates				
		Less: Income for gone				
	Total Assessment Rates					
				(539,494)	(505,211)	
				(2,399,345)	(2,444,835)	
				(2,580,267)	(2,543,625)	
				9,228,699	8,327,522	
	<u>Valuations - 30 June 2020:</u>					
	Rateable Land and Buildings					
	Residential & Commercial Property					
		Residential & Commercial Property		2,879,526,800	2,914,861,800	
		State - National / Provincial Services		2,784,972,300	2,727,514,300	
				94,554,500	187,347,500	
	Total Assessment Rates					
				2,879,526,800	2,914,861,800	
	<u>Valuations - 30 June 2020:</u>					Valuation
	Residential					261,837,500
		State				37,359,000
		State: Agriculture				57,195,500
		Agriculture				2,281,619,800
		Municipal				25,118,000
		Municipal: Agriculture				44,730,000
		Industrial				7,168,000
		Churches				16,425,000
		Infrastructure				432,000
		Public Benefit Organisations				3,172,000
		SKA				33,785,000
		SKA Farms				62,963,000
		Commercial				46,926,000
		Infrastructure farms				136,000
		Sport clubs				660,000
	Total Property Valuations					2,879,526,800

Assessment Rates are levied on the values of immovable properties. A general valuation was performed during 2017/18 for implementation 1 July 2018. The tariffs applicable are proclaimed by PK 2274 dated 17 June 2019.

Rates are levied annually and are payable after due dates. Interest is levied on monthly and annually outstanding amounts at prime rate plus 1% after due dates.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

22

GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants

Equitable Share - Refer to Note 22.01

2020 R	2019 R
24,348,277	22,024,000
24,348,277	22,024,000
22,079,531	36,160,891
-	4,626,000
-	5,000,000
-	1,000,000
10,494,695	1,112,000
283,983	1,970,000
10,215,853	7,972,000
89	1,000,000
-	13,480,891
1,084,911	-
46,427,808	58,184,891

Total Government Grants and Subsidies

Government Grants and Subsidies - Capital
Government Grants and Subsidies - Operating

9,019,611	28,296,993
37,408,197	29,887,898
46,427,808	58,184,891

The municipality does not expect any significant changes to the level of grants.

Revenue recognised per vote as required by Section 123 (c) of the MFMA

Equitable share	24,348,277	22,024,000
Executive & Council	4,265,667	36,160,891
Budget & Treasury	1,616,575	-
Community & Social Services	136,261	-
Road Transport	8,883,350	-
	39,250,130	58,184,891

22.01 Equitable share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent households. All registered indigents receive 6kl free water and 50kwh electricity per month, which is funded from this grant.

All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of basic services for the geographical area concerned and range from R361 per month to R779 per month.(2019: R338 per month to R673 per month)

Grants received	24,348,277	22,024,000
Conditions met	(24,348,277)	(22,024,000)
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

22.02 Municipal Infrastructure Grant (MIG)

Grants received	8,038,000	7,972,000
Conditions met	(1,332,503)	(1,039,826)
Conditions met - Capital	(8,883,350)	(6,932,174)
Grant expenditure to be recovered	(2,177,853)	-

The grant was used to upgrade infrastructure in the Kareeberg areas.

22.03 Local Government Financial Management Grant (FMG)

Grants received	2,435,000	1,970,000
Conditions met	(2,435,000)	(1,970,000)
Conditions still to be met	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

22.04 Library Development Projects

Grants received	1,112,000	1,112,000
Conditions met	(975,739)	(711,246)
Conditions met - Capital	(136,261)	(400,754)
Conditions still to be met	-	-

The grant was used for the development of libraries in the Kareeberg area.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
22	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)		
22.05	Youth Development		
Opening balance		93,632	93,632
Conditions still to be met		<u>93,632</u>	<u>93,632</u>
The grant will be used for youth development related issues in the Kareeberg area.			
22.06	Expanded Public Works Program (R1m)		
Grants received		1,085,000	1,000,000
Conditions met		<u>(1,085,000)</u>	<u>(1,000,000)</u>
Conditions still to be met		<u>-</u>	<u>-</u>
The grant was used for labour (for example security services) in the Kareeberg area.			
22.07	Job Creation De Buit		
Opening balance		48,769	46,081
Interest received		2,549	2,688
Conditions still to be met		<u>51,318</u>	<u>48,769</u>
The grant will be used for job creation in the Kareeberg area. (Carnarvon)			
22.08	Land Development		
Opening balance		76,565	72,345
Interest received		4,000	4,220
Conditions still to be met		<u>80,565</u>	<u>76,565</u>
The grant will be used for a land development plan in the Kareeberg area.			
22.09	Civil Defence		
Opening balance		20,944	20,944
Conditions still to be met		<u>20,944</u>	<u>20,944</u>
The grant will be used for civil defence in the Kareeberg area.			
22.10	CMIP Kwaggakolk (VAT)		
Opening balance		765	725
Interest received		38	40
Conditions still to be met		<u>803</u>	<u>765</u>
The grant will be used for a water project in the Kareeberg area. (Vanwyksvlei)			
22.11	Sanitation - sewerage		
Opening balance		184,441	184,441
Conditions still to be met		<u>184,441</u>	<u>184,441</u>
The grant will be used for a sanitation VAT/maintenance in the Kareeberg area.			
22.12	Electricity Schietfontein		
Opening balance		43,933	41,513
Interest received		2,297	2,420
Conditions still to be met		<u>46,231</u>	<u>43,933</u>
The grant will be used for electricity infrastructure development in the Kareeberg area. (Schietfontein)			
22.13	Water Service Plan		
Opening balance		4,104	3,879
Interest received		214	225
Conditions still to be met		<u>4,318</u>	<u>4,104</u>
The grant will be used for a water service plan in the Kareeberg area.			

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
22 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)			
22.14 CMIP - Saalpoort project 301			
Opening balance		4,505	4,258
Interest received		235	247
Conditions still to be met		<u>4,741</u>	<u>4,505</u>
The grant will be used for a bore hole water project in the Kreeberg area. (Carnarvon)			
22.15 Paving Projects			
Opening balance		29,698	28,062
Interest received		1,551	1,636
Conditions still to be met		<u>31,249</u>	<u>29,698</u>
The grant will be used for a extended public works program in the Kreeberg area.			
22.16 Lotto Carnarvon			
Opening balance		2,278	2,153
Interest received		119	125
Conditions still to be met		<u>2,397</u>	<u>2,278</u>
The grant will be used for Lotto projects in the Kreeberg area. (Sport equipment)			
22.17 Lotto Vosburg			
Opening balance		40,228	38,010
Interest received		2,103	2,218
Conditions still to be met		<u>42,330</u>	<u>40,228</u>
The grant will be used for Lotto projects in the Kreeberg area. (Equipment)			
22.18 Transfer Fees Sub-Economic			
Opening balance		170,593	160,872
Interest received		8,939	9,721
Conditions still to be met		<u>179,532</u>	<u>170,593</u>
The grant will be used for transfer fees of sub-economic houses in the Kreeberg area.			
22.19 Cleaning Project Vosburg			
Opening balance		32,126	30,344
Interest received		1,678	1,782
Conditions still to be met		<u>33,804</u>	<u>32,126</u>
The grant will be used for a cleaning project in the Kreeberg area.			
22.20 VAT - Retention			
Opening balance		14,899	14,080
Interest received		779	819
Conditions still to be met		<u>15,678</u>	<u>14,899</u>
The grant will be used for maintenance in the Kreeberg area.			
22.21 Electricity			
Grants received		-	1,000,000
Conditions met		-	(130,435)
Conditions met - Capital		-	(869,565)
Conditions still to be met		<u>-</u>	<u>-</u>
The grant was used for electricity infrastructure development in the Kreeberg area.			
22.22 RBIG (Department of Water Affairs and Forestry)			
Opening balance		13,537,276	12,971,167
Grants received		-	14,047,000
Transfer return		(13,537,276)	-
Conditions met		-	(1,756,826)
Conditions met - Capital		-	(11,724,065)
Conditions still to be met		<u>-</u>	<u>13,537,276</u>
The grant will be used for water infrastructure development in the Kreeberg area.			

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
22	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)		
22.23	DWA (Department of Water Affairs) Refurbishment		
Grants received		-	5,000,000
Conditions met		-	(652,174)
Conditions met - Capital		-	(4,347,826)
Conditions still to be met		-	-
The grant will be used for water infrastructure development in the Kareeberg area.			
22.24	DWA (Department of Water Affairs) Drought Relief		
Opening balance		-	4,626,000
Grants received		-	(603,391)
Conditions met		-	(4,022,609)
Conditions met - Capital		-	-
Conditions still to be met		-	-
The grant will be used for drought relief (water infrastructure) in the Kareeberg area.			
22.25	COVID-19		
Opening balance		54,000	-
Grants received		(54,000)	-
Conditions met		-	-
Conditions met - Capital		-	-
Conditions still to be met		-	-
The grant will be used for COVID-19 expenditure in the Kareeberg area. The full amount was used to purchase personal protective equipment.			
22.26	Total Grants		
Opening balance		14,304,758	18,338,507
Interest received		24,502	26,142
Grants received		37,072,277	54,125,000
Transfer return		(13,537,276)	
Conditions met		(30,230,519)	(29,887,898)
Conditions met - Capital		(9,019,611)	(28,296,993)
Conditions still to be met/(Grants expenditure to be recovered)		<u>(1,385,869)</u>	<u>14,304,758</u>
23	AVAILABILITY CHARGES		
Electricity		125,885	117,499
Water		159,855	184,497
Total Availability Charges		<u>285,740</u>	<u>301,996</u>
24	SERVICE CHARGES		
Electricity		9,496,411	9,848,711
Service Charges		9,833,733	10,150,077
<u>Less:</u> Equitable Share		(337,322)	(301,366)
Water		3,049,125	2,717,557
Service Charges		6,003,570	5,115,800
<u>Less:</u> Equitable Share		(2,954,445)	(2,398,243)
Refuse removal		1,456,562	1,889,447
Service Charges		4,464,629	4,045,766
<u>Less:</u> Equitable Share		(3,008,067)	(2,156,319)
Sewerage and Sanitation Charges		961,583	1,566,825
Service Charges		4,533,924	4,183,569
<u>Less:</u> Equitable Share		(3,572,341)	(2,616,744)
Other Service Charges		-	-
Total Service Charges		<u>14,963,681</u>	<u>16,022,540</u>
25	OTHER REVENUE		
Application Specific Registrations		1,138	2,428
Building Fees		240	70
Photocopies		1,588	4,091
Grave Fees		11,565	13,210
Searching Fees		75	910
Encroachment		744	744
Cement block Sales		4,500	2,500
Refuse Bags Sold		624	1,459
Connection Fees		-	200
Gain due to additions on Biological assets		1,396	13,022
Valuation Certificates		180	420
Electricity caravan park		9	96
Annual bonus decrease		7,884	-
Sale of scrap		48,720	-
Total Other Income		<u>78,662</u>	<u>39,149</u>

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
26	FAIR VALUE ADJUSTMENTS		
	Unamortised Discount - Interest - LT Receivables	966	1,133
		<u>966</u>	<u>1,133</u>
27	EMPLOYEE RELATED COSTS		
	Salaries & Wages	17,646,485	17,098,972
	Leave Reserve Fund	599,147	412,127
	Personnel Contributions	2,451,470	2,396,136
	Skill Development Levy	153,660	157,404
	Bargaining Council	7,531	7,087
	Pension Gratification	444	444
	UIF	118,264	115,246
	Performance Bonuses	267,134	419,700
	Annual Bonuses	-	561
	Contribution to Employee Benefits - Long Service Awards - Note 3	80,410	73,424
	Contribution to Employee Benefits - Post Retirement Medical - Note 3	80,793	99,942
		<u>21,405,337</u>	<u>20,781,043</u>
	<u>Less:</u> Employee Costs allocated elsewhere	-	-
	Total Employee Related Costs	21,405,337	20,781,043
	KEY MANAGEMENT PERSONNEL		
	Municipal Manager was appointed on a 5 year fixed contract. There are no post-employment or termination benefits payable to him at the end of the contract period.		
	REMUNERATION OF KEY MANAGEMENT PERSONNEL		
	<i>Remuneration of the Municipal Manager: Mr F. Manuel (Resigned 28 February 2020)</i>		
	Salary and Bonus, Performance Bonus	1,036,265	1,108,515
	Travel Allowance	138,000	207,000
	UIF	1,190	1,785
	Bargaining Council	75	105
	Cell phone (VAT Included)	32,000	48,000
	Total	1,207,529	1,365,405
	<i>Remuneration of the Chief Financial Officer: Mr W. de Bruin</i>		
	Salary and Bonus, Performance Bonus	783,183	654,887
	Travel Allowance	76,000	72,000
	Rural	79,266	78,146
	UIF	1,785	1,785
	Bargaining Council	112	105
	Cell phone (VAT Included)	25,200	24,000
	Total	965,546	830,923
	<i>Remuneration of Chief Operations Manager: Mr. A.P.F. van Schalkwyk</i>		
	Salary and Bonus, Performance Bonus	1,233,824	989,176
	Travel Allowance	203,567	191,143
	Pension	160,332	145,950
	Medical	53,908	50,618
	UIF	1,785	1,785
	Bargaining Council	112	105
	Cell phone (VAT Included)	25,200	24,000
	Total	1,678,728	1,402,776
	<i>Remuneration of Head : Corporate Services: Mr. N.J. van Zyl</i>		
	Salary and Bonus, Performance Bonus	1,006,088	932,150
	Travel Allowance	203,567	191,143
	Pension	152,897	139,184
	Medical	46,930	43,956
	UIF	1,785	1,785
	Bargaining Council	112	105
	Cell phone (VAT Included)	25,200	18,000
	Total	1,436,578	1,326,323
28	REMUNERATION OF COUNCILLORS	2020 R	2019 R
	Mayor	Mr N.S. van Wyk	806,066
	Councillor	Mr J.E.J. Hoom	255,091
	Councillor	Ms G. Saal	255,091
	Councillor	Mr B.J.E. Slambee	255,091
	Councillor	Mr E. Hoom	255,091
	Councillor	Mr G.P. van Louw	255,091
	Councillor	Mr W.D. Horne	255,091
	Councillors' Cell phones	310,800	285,600
	Total Councillors' Remuneration	2,647,412	2,532,343

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
28	REMUNERATION OF COUNCILLORS (CONTINUE)		
<i>In-kind Benefits</i>			
The Mayor is fulltime. He is provided with an office at the cost of the Council.			
<i>Certification by the Municipal Manager</i>			
I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with Government Notice 43246, dated 24 April 2020.			
<hr/>			
Signed: (Acting) Municipal Manager			
29	DEBT IMPAIRMENT		
	Receivables from exchange transactions - Note 17	2,211,152	2,631,345
	Receivables from non-exchange transactions - Note 18	2,424,793	1,326,439
	Debt impairment recognised in statement of financial performance	4,635,944	3,957,784
30	DEPRECIATION AND AMORTISATION		
	Property, plant and equipment	5,394,454	5,078,625
	Intangible assets	11,234	4,108
	Investment property carried at cost	12,941	12,941
	Total depreciation and amortisation	5,418,630	5,095,674
31	FINANCE CHARGES		
	Post Retirement Charges	765,508	873,695
	Landfill sites	960,831	1,502,939
	Total finance charges	1,726,339	2,376,634
32	BULK PURCHASES		
	Electricity bulk purchases	12,342,076	11,133,994
	Electricity distribution losses	(2,201,401)	(1,648,775)
	Total Bulk Purchases	10,140,675	9,485,219
33	GENERAL EXPENSES		
	Advertisement, printing & stationary	192,805	107,628
	Animal Feeds	392,501	444,190
	Audit Costs	2,149,735	2,285,475
	Bank charges	261,944	283,862
	Compensation insurance	147,899	189,457
	Chemicals	2,930	14,490
	Cleaning supplies	175,211	110,828
	Electricity Eskom	421,403	373,184
	Fuel & Oil	801,131	789,975
	Indigents energy sources	1,733,720	1,226,950
	Insurance	408,499	171,972
	Legal costs	976,906	1,265,265
	Material losses	-	701,492
	Membership for associations	500,000	500,000
	Other General Expenses	1,075,382	875,122
	Refuse bag purchases	189,450	180,900
	Other materials	663,569	894,137
	Street Lighting	454,274	345,142
	Subsistence and Travelling	811,749	1,383,138
	Telephone & Postage	536,975	587,856
	Uniforms	122,195	84,362
	Internal Auditors	524,385	499,415
	Refuse Removal Contractor	242,900	3,472
	Water Distribution Tanker	733,337	495,746
	Accounting Support	38,667	
	Audit Committee	2,769,550	2,360,990
	Business and Financial Management	18,561	588,525
	Human Resources Support	-	12,050
	Valuer and Assessors	19,300	13,500
	Actuaries	47,684	64,484
	Laboratory Services	23,684	14,250
	Water Research	70,632	
	Rental of buildings	257,783	240,000
	Electricity Support Services	140,478	101,307
	Commission/IT services Prepaid Electricity Vendors		
	General Expenses	16,905,238	17,209,164

Other General Expenses include administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial Performance. This include items such as vehicle licenses, cleaning materials, refreshments, water services fees and workmen compensation.

The amount disclosed above for material losses are in respect of costs incurred due to a fraudulent payment which occurred during the financial year. The matter has been reported to SAPS and the financial misconduct committee and investigations are in progress.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2019 R
34	CORRECTION OF ERROR IN TERMS OF GRAP 3	
34.01	Property, Plant and Equipment	
	Balance previously reported	155,961,000
	Corrected calculated (till 2018) of Landfill Provision and Capital Restoraton Cost - Note 34.03	11,233,979
	Correct calculated on change in estimates 2018-19 of Landfill Provision and Capital Restoraton Cost - Note 34.03	333,996
	Corrected calculated Depreciation 2018-2019 on Capital Restoraton Cost - Note 34.05	738,432
	Total	168,267,407
34.02	Capitalised Restoration Cost	
	Balance previously reported	2,096,992
	Reversal incorrect calculated on change in estimates (till 2018) of Landfill Provision and Capital Restoraton Cost - Note 34.04	(4,624,522)
	Reversal incorrect calculated Accumulated Impairment (till 2018) on Capital Restoraton Cost - Note 34.04	2,614,893
	Reversal incorrect calculated Accumulated Depreciation (till 2018) on Capital Restoraton Cost - Note 34.04	300,891
	Reversal incorrect calculated on change in estimates 2018-19 of Landfill Provision and Capital Restoraton Cost - Note 34.03	(464,276)
	Reversal incorrect calculated Impairment 2018-2019 on Capital Restoration Cost - Note 34.05	2,936
	Reversal incorrect calculated Depreciation 2018-2019 on Capital Restoration Cost - Note 34.05	73,086
	Total	0
34.03	Non-Current Provisions	
	Balance previously reported	26,405,251
	Reversal incorrect calculated on change in estimates (till 2018) of Landfill Provision and Capital Restoraton Cost - Note 34.04	(24,438,036)
	Reversal incorrect calculated on change in estimates 2018-19 of Landfill Provision and Capital Restoraton Cost - Note 34.02	(464,276)
	Reversal incorrect calculated finance cost 2018-2019 on Landfill site Provision - Note 34.05	(1,502,939)
	Corrected calculated (till 2018) of Landfill Provision and Capital Restoraton Cost - Note 34.01	11,233,979
	Correct calculated on change in estimates 2018-19 of Landfill Provision and Capital Restoraton Cost - Note 34.01	333,996
	Correct calculated finance cost 2018-2019 on Landfill site Provision - Note 34.05	1,023,223
	Total	12,591,198
34.04	Accumulated Surplus/(Deficit)	
	Balance previously reported	154,631,690
	Reversal incorrect calculated on change in estimates (till 2018) of Landfill Provision and Capital Restoraton Cost - Note 34.02 & 34.03	22,729,298
	Total	177,360,988
34.05	Statement of Financial Performance	
	Balance previously reported	26,110,157
	Reversal incorrect calculated Impairment 2018-2019 on Capital Restoration Cost - Note 34.02	2,936
	Reversal incorrect calculated Depreciation 2018-2019 on Capital Restoration Cost - Note 34.02	73,086
	Reversal incorrect calculated finance cost 2018-2019 on Landfill site Provision - Note 34.03	1,502,939
	Corrected calculated Depreciation 2018-2019 on Capital Restoraton Cost - Note 34.01	(738,432)
	Correct calculated finance cost 2018-2019 on Landfill site Provision - Note 34.03	(1,023,223)
	Total	25,927,463

Correction of Error in note 34.01 to 34.05 was resulted of a GRAP Guideline issued by Accounting Standards Board (ASB) – Accounting for landfill sites.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS	2020		2019	
		R	R	R	R
35	Surplus for the year	2,511,505		25,927,463	
	Adjustments for:				
	Depreciation	5,407,395		5,091,566	
	Amortisation of Intangible Assets	11,234		4,108	
	(Gain)/Loss on disposal of property, plant and equipment	1,600		6,814	
	Impairments	-		48,661	
	Contribution from/to employee benefits - non-current	926,711		1,047,061	
	Contribution from/to employee benefits - non-current - expenditure incurred	(557,892)		(486,030)	
	Contribution from/to employee benefits - non-current - actuarial gains	96,138		29,812	
	Contribution from/to employee benefits - non-current - actuarial gains	(761,501)		(1,647,809)	
	Contribution to employee benefits - current	858,397		832,389	
	Contribution to employee benefits - current - expenditure incurred	(795,220)		(484,157)	
	Contribution to provisions - non-current - Rehabilitation of Landfill-sites	(3,198,508)		333,996	
	Contribution to provisions - non-current - Unwinding of discounted interest	960,831		1,023,223	
	Contribution to provisions - bad debt	4,635,944		3,957,784	
	Contribution to provisions - VAT Impairment	294,337		430,351	
	Unamortised discount - Interest - Revenue	(966)		(1,133)	
	Contributed PPE	(23,000)		-	
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(13,512,774)		(4,033,749)	
	(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	(2,177,853)		-	
	Operating lease income accrued	8,292		4,039	
	Operating Surplus/(Deficit) before changes in working capital	(5,315,328)		32,084,387	
	Changes in working capital	(6,508,235)		(3,815,692)	
	Increase/(Decrease) in Payables from exchange transactions	(468,878)		286,288	
	(Increase)/Decrease in Trade Receivables from exchange transactions	(3,378,207)		(2,722,323)	
	(Increase)/Decrease in Other Receivables from non-exchange transactions	(2,661,149)		(1,379,657)	
	Cash generated/(absorbed) by operations	(11,823,563)		28,268,695	
36	CASH AND CASH EQUIVALENTS				
	Cash and cash equivalents included in the cash flow statement comprise the following:				
	Call Investments Deposits - Note 20	24,350,452		42,170,213	
	Bank - Note 20	295,308		257,876	
	Total cash and cash equivalents	24,645,759		42,428,089	
37	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES				
	Cash and Cash Equivalents - Note 36	24,645,759		42,428,089	
	Less:	24,645,759		42,428,089	
	Unspent Conditional Grants - Note 8	(1,335,148)		14,352,960	
	Cash Portion of Housing Development Fund - Note 2				
	Net cash resources available for internal distribution	(1,385,869)		14,304,758	
	Allocated to:	50,721		48,202	
	Capital Replacement Reserve	(11,347,812)		(11,347,812)	
	Retention	(1,082,889)		(1,812,753)	
	Provision for Employee benefits	(2,000,000)		(2,000,000)	
	Reserves	-		-	
	Staff Leave, Performance Management Bonus, Long Service	(2,864,306)		(3,040,225)	
	Resources available for working capital requirements	8,685,900		9,874,339	

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R	
38	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED			
38.01 Unauthorised expenditure				
Reconciliation of unauthorised expenditure:				
	Opening balance	-	-	
	Correction of prior period error	-	-	
	Restated opening balance	897,345	136,466	
	Unauthorised expenditure current year - capital	-	-	
	Unauthorised expenditure current year - operating	(848,000)	(136,466)	
	Approved by Council or condoned			
	Current	(848,000)	(136,466)	
	Prior Period	-	-	
	Transfer to receivables for recovery	-	-	
	Current	-	-	
	Prior Period	-	-	
	Unauthorised expenditure awaiting authorisation	49,345	-	
Incident		Disciplinary steps/criminal proceedings		
<i>Over expenditure of approved budget</i>		<i>None</i>		
The over expenditure incurred by municipal departments on their operating budgets during				
	Non-cash	23,000		
	Cash	874,345	136,466	
		<u>897,345</u>	<u>136,466</u>	
Analysed as follows: Non-cash				
	Employee related cost (Actuarial Valuations)	-	-	
	Depreciation and Amortisation	-	-	
	Finance Charges (Interest portion of Provision for Rehabilitation of Landfill-sites)	-	-	
	Loss on disposal of Property, Plant and Equipment	-	-	
	Impairment Losses	-	-	
	Other (Donated assets)	23,000	-	
		<u>23,000</u>	<u>-</u>	
Analysed as follows: Cash				
	Bulk Purchases	-	-	
	Employee related cost	-	-	
	Operational Costs	-	-	
	Capital Costs	874,345	136,466	
		<u>874,345</u>	<u>136,466</u>	
The overspending of the Budget per municipal vote can be summarised as follows:				
	2020 R (Actual)	2020 R (Budget)	2020 R (Variance)	2020 R (Unauthorised)
Unauthorised expenditure current year - operating				
	Executive & Council	11,578,694	12,526,119	(947,425)
	Budget & Treasury	16,025,636	16,834,396	(808,760)
	Other	7,099	16,925	(9,826)
	Health	6,053	29,142	(23,089)
	Community & Social Services	2,191,666	2,806,020	(614,354)
	Housing	140	10,396	(10,256)
	Public Safety	56,699	91,609	(34,910)
	Sport & Recreation	240,674	357,578	(116,904)
	Environmental Protection	352,984	495,500	(142,516)
	Waste Management	5,103,022	5,990,996	(887,974)
	Waste Water Management	4,959,306	5,361,156	(401,850)
	Road Transport	6,424,880	6,868,524	(443,644)
	Water	2,817,796	2,912,069	(94,273)
	Electricity	15,414,064	15,686,512	(272,448)
		<u>65,178,714</u>	<u>69,986,942</u>	<u>(4,808,228)</u>
	2020 R (Actual)	2020 R (Budget)	2020 R (Variance)	2020 R (Unauthorised)
Unauthorised expenditure current year - capital				
	Executive & Council	7,197	7,197	7,197
	Budget & Treasury	138,725	107,004	31,721
	Community & Social Services	148,203	200,000	(51,797)
	Road Transport	8,889,515	8,038,000	851,515
	Water	-	9,000,000	(9,000,000)
	Electricity	6,912	-	6,912
		<u>9,190,552</u>	<u>17,345,004</u>	<u>(8,154,452)</u>
				<u>897,345</u>

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019																	
38	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONTINUED)	R	R																	
38.02	<u>Fruitless and wasteful expenditure</u>																			
	Reconciliation of fruitless and wasteful expenditure:																			
	Opening balance	701 492																		
	Correction of prior period error	-																		
	Restated opening balance	701 492																		
	Fruitless and wasteful expenditure current year	37 500	701 492																	
	Condoned or written off by Council	-																		
	Current	-																		
	Prior Period	-																		
	Transfer to receivables for recovery - not condoned	-																		
	Current	-																		
	Prior Period	-																		
	Fruitless and wasteful expenditure awaiting condonement or written off	<u>738 992</u>	<u>701 492</u>																	
	Fruitless and wasteful expenditure can be summarised as follow:																			
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; padding-right: 10px;">Incident</th><th style="text-align: left; padding-right: 10px;">Disciplinary steps/criminal proceedings</th><th></th></tr> </thead> <tbody> <tr> <td><i>Fraudulent bank account.</i></td><td><i>None</i></td><td style="text-align: right;">-</td></tr> <tr> <td><i>No evidence of loads delivered.</i></td><td><i>None</i></td><td style="text-align: right;">22 500</td></tr> <tr> <td><i>No evidence of loads delivered.</i></td><td><i>None</i></td><td style="text-align: right;">15 000</td></tr> <tr> <td></td><td></td><td style="text-align: right;"><u>37 500</u></td></tr> <tr> <td></td><td></td><td style="text-align: right;"><u>701 492</u></td></tr> </tbody> </table>	Incident	Disciplinary steps/criminal proceedings		<i>Fraudulent bank account.</i>	<i>None</i>	-	<i>No evidence of loads delivered.</i>	<i>None</i>	22 500	<i>No evidence of loads delivered.</i>	<i>None</i>	15 000			<u>37 500</u>			<u>701 492</u>	
Incident	Disciplinary steps/criminal proceedings																			
<i>Fraudulent bank account.</i>	<i>None</i>	-																		
<i>No evidence of loads delivered.</i>	<i>None</i>	22 500																		
<i>No evidence of loads delivered.</i>	<i>None</i>	15 000																		
		<u>37 500</u>																		
		<u>701 492</u>																		
38.03	<u>Irregular expenditure</u>																			
	Reconciliation of irregular expenditure:																			
	Opening balance	-																		
	Correction of prior period error	-																		
	Restated opening balance	-																		
	Irregular expenditure current year	116 113																		
	Expenditure authorised i.t.o. Section 32 of MFMA	-																		
	Current	-																		
	Prior Period	-																		
	Condoned or written off by Council	-																		
	Current	-																		
	Prior Period	-																		
	Transfer to receivables for recovery - not condoned	-																		
	Current	-																		
	Prior Period	-																		
	Irregular expenditure awaiting further action	<u>116 113</u>	-																	
	Irregular expenditure can be summarised as follow:																			
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; padding-right: 10px;">Incident</th><th style="text-align: left; padding-right: 10px;">Disciplinary steps/criminal proceedings</th><th></th></tr> </thead> <tbody> <tr> <td><i>Advance</i></td><td><i>None</i></td><td style="text-align: right;">26 113</td></tr> <tr> <td><i>Carting of water to Vanwyksvlei.</i></td><td><i>None</i></td><td style="text-align: right;">90 000</td></tr> <tr> <td></td><td></td><td style="text-align: right;"><u>116 113</u></td></tr> <tr> <td></td><td></td><td style="text-align: right;">-</td></tr> </tbody> </table>	Incident	Disciplinary steps/criminal proceedings		<i>Advance</i>	<i>None</i>	26 113	<i>Carting of water to Vanwyksvlei.</i>	<i>None</i>	90 000			<u>116 113</u>			-				
Incident	Disciplinary steps/criminal proceedings																			
<i>Advance</i>	<i>None</i>	26 113																		
<i>Carting of water to Vanwyksvlei.</i>	<i>None</i>	90 000																		
		<u>116 113</u>																		
		-																		
38.04	<u>Material Losses</u>																			
	Electricity distribution losses																			
	Electricity distribution losses (R)	(2 201 401)	(1 648 775)																	
	Units purchased (Kwh)	7 882 482	8 477 211																	
	- Units lost during distribution (Kwh)	1 405 963	1 255 346																	
	- Percentage lost during distribution	17.84%	14.81%																	

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
39 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT			
39.01 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS			
Council subscriptions	500,000	500,000	
Amount paid - current year	(500,000)	(500,000)	
Balance unpaid (included in creditors)	<hr/>	<hr/>	<hr/>
39.02 Audit fees - [MFMA 125 (1)(b)] (excl. VAT)			
Opening balance	-	-	
Correction of prior period error	-	-	
Restated opening balance	-	-	
Current year audit fee	2,149,735	2,285,475	
External Audit - Auditor-General	2,149,735	2,285,475	
Amount paid - current year	(2,149,735)	(2,285,475)	
Balance unpaid (included in creditors)	<hr/>	<hr/>	<hr/>
39.03 VAT - [MFMA 125 (1)(b)]			
Opening balance	(722,827)	(1,486,129)	
Correction of prior period error	-	-	
Restated opening balance	(722,827)	(1,486,129)	
Amounts received - current year	4,794,432	6,894,000	
Amounts claimed - current year (payable)	(5,144,801)	(7,616,827)	
Amounts received - previous year	722,827	1,486,129	
Closing balance	(350,369)	(722,827)	
VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.			
39.04 PAYE, SDL and UIF - [MFMA 125 (1)(b)]			
Opening balance	-	-	
Correction of prior period error	-	-	
Restated opening balance	-	-	
Current year payroll deductions and Council Contributions	3,760,201	3,498,447	
Amount paid - current year	(3,760,201)	(3,498,447)	
Balance unpaid (included in creditors)	<hr/>	<hr/>	<hr/>
39.05 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]			
Opening balance	-	-	
Correction of prior period error	-	-	
Restated opening balance	-	-	
Current year payroll deductions and Council Contributions	(4,761,020)	(4,656,712)	
Amount paid - current year	4,761,020	4,656,712	
L.A. Health	682,357	626,304	
LA retirement fund	310,564	282,707	
Hosmed	728,507	730,122	
Consolidated retirement fund for local government	2,715,849	2,689,840	
Municipal workers retirement fund	323,743	327,739	
Balance unpaid (included in creditors)	<hr/>	<hr/>	<hr/>
39.06 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]			
The following Councillors had arrear accounts for more than 90 days as at 30 June 2020:			
	Outstanding more than 90 days	Outstanding more than 90 days	
Councillor B.J.E. Slambie	8,765	12,748	
Councillor N.S. van Wyk	26,637	-	
Councillor W. Horne	5,443	-	
Councillor G.P. van Louw	166	-	
Councillor G. Saal (Husband)	52,589	-	
Total Councillor Arrear Consumer Accounts	<hr/>	<hr/>	<hr/>
	93,600	12,748	
39.07 Quotations awarded - Section 45 - Supply Chain Management			
Meerkat	-	104,400	
Witbooi Taxis	-	7,840	
Blue Planet	Spouse works at Stellenbosch Municipality	10,695	
	<hr/>	<hr/>	<hr/>
	-	122,935	

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

39 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

39.08 Deviations - Section 36(2) - Supply Chain Management

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
30 June 2020				
Emergency cases	52,567	149,694	-	-
Availability	230,571	194,360	-	-
Limited Quotations	80,519	919,869	-	-
Deviation on tender/Not cheapest awarded	8,177	-	-	-
Service provider	167,826	589,889	-	-
	539,660	1,853,812	-	-
30 June 2019				
Emergency cases	11,381	83,644	-	-
Availability	562,497	156,641	-	-
Limited Quotations	65,690	1,252,883	-	-
Deviation on tender/Not cheapest awarded	60,347	-	-	-
Service provider	311,991	249,816	-	-
	1,011,907	1,742,985	-	-

Refer to Appendix E for detail on Deviations according to Section 36(2) - Supply Chain Management

	2020 R	2019 R
40 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved and contracted for:		
Infrastructure	-	5,598,435
Total	-	5,598,435
This expenditure will be financed from:		
Government Grants	-	5,598,435
	-	5,598,435

All amounts disclosed are VAT inclusive.

41 FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

0.5% Increase in interest rates	123,229	212,140
0.5% Decrease in interest rates	(123,229)	(212,140)

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

41

FINANCIAL RISK MANAGEMENT (CONTINUE)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 17 and 18 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Balances past due not impaired:

	2020 %	2020 R	2019 %	2019 R
Non-Exchange Receivables				
Rates	0.00%	-	0.00%	-
Availability Charges	0.00%	0	0.00%	0
	<hr/>	<hr/>	<hr/>	<hr/>
Exchange Receivables				
Electricity	0.00%	-	0.00%	-
Water	0.00%	-	0.00%	-
Refuse	0.00%	-	0.00%	-
Sewerage	0.00%	-	0.00%	-
Other	0.00%	-	0.00%	-
	<hr/>	<hr/>	<hr/>	<hr/>

No receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 17 & 18 of the financial statements is an approximation of its fair value. Interest on overdue balances (rates) are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2020 %	2020 R	2019 %	2019 R
Non-Exchange Receivables				
Rates	95.69%	5,449,255	91.45%	2,990,279
Availability Charges	4.31%	245,511	8.55%	279,695
	<hr/>	<hr/>	<hr/>	<hr/>
Exchange Receivables				
Electricity	18.38%	1,367,640	14.61%	763,983
Water	29.32%	2,182,231	30.87%	1,614,625
Refuse	23.75%	1,767,546	24.70%	1,291,828
Sewerage	16.05%	1,194,058	17.01%	889,870
Other	12.50%	930,423	12.82%	670,440
	<hr/>	<hr/>	<hr/>	<hr/>

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

41

FINANCIAL RISK MANAGEMENT (CONTINUE)

	2020 %	2020 R	2019 %	2019 R
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The provision for bad debts could be allocated between the different categories of debtors as follows:

Industrial	19.69%	2,587,063	15.01%	1,275,843
Residential	80.31%	10,549,602	84.99%	7,225,078
	100.00%	13,136,665	100%	8,500,721
	2020 %	2020 R	2019 %	2019 R
Bad debts written off per debtor class:				
Non-Exchange Receivables				
Rates	0.00%	-	0.00%	-
Exchange Receivables				
Services	0.00%	-	0.00%	-
Other	0.00%	-	0.00%	-
	0.00%	-	0.00%	-

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA, Nedbank and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

	2020 R	2019 R
Financial assets exposed to credit risk at year end are as follows:		
Long term receivables	16,916	20,918
Trade receivables and other receivables	4,208,152	3,099,076
Cash and Cash Equivalents	24,645,759	42,428,089
	28,870,827	45,548,083

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

41	FINANCIAL RISK MANAGEMENT (CONTINUE)	2020 R	2019 R
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(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2020				
Provisions - Landfill Sites	-	-	-	191,508,724
Capital repayments	-	-	-	10,353,521
Interest	-	-	-	181,155,203
Trade and Other Payables	1,489,124	-	-	-
Consumer Deposits	329,979	-	-	-
Unspent conditional government grants and receipts	791,984	-	-	-
	<u>2,611,087</u>	<u>—</u>	<u>—</u>	<u>191,508,724</u>
2019				
Provisions - Landfill Sites	-	-	-	202,171,932
Capital repayments	-	-	-	12,591,198
Interest	-	-	-	189,580,735
Trade and Other Payables	1,958,002	-	-	-
Consumer Deposits	327,904	-	-	-
Unspent conditional government grants and receipts	14,304,758	-	-	-
	<u>16,590,664</u>	<u>—</u>	<u>—</u>	<u>202,171,932</u>

42	FINANCIAL INSTRUMENTS	2020 R	2019 R
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In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

42.1	Financial Assets	Classification		
Long-term Receivables				
Staff Loans	Financial instruments at amortised cost	13,379	18,549	
Consumer Debtors				
Trade receivables from exchange transactions	Financial instruments at amortised cost	8,056,276	6,342,493	
Other receivables from exchange transactions	Financial instruments at amortised cost	4,521,852	2,857,427	
Current Portion of Long-term Receivables				
Staff Loans	Financial instruments at amortised cost	5,170	4,967	
Short-term Investment Deposits				
Call Deposits	Financial instruments at amortised cost	24,350,452	42,170,213	
Bank Balances and Cash				
Bank Balances	Financial instruments at amortised cost	295,308	257,876	
		<u>37,242,436</u>	<u>51,651,526</u>	
SUMMARY OF FINANCIAL ASSETS				
Financial instruments at amortised cost		<u>37,242,436</u>	<u>51,651,526</u>	

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

			2020 R	2019 R
42	FINANCIAL INSTRUMENTS (CONTINUE)			
42.2	<u>Financial Liability</u>	<u>Classification</u>		
	Payables from exchange transactions			
	Trade creditors	Financial instruments at amortised cost	1,164,372	1,812,753
	Payments received in advance	Financial instruments at amortised cost	324,752	145,249
	Unspent Conditional Grants and Receipts			
	Other Spheres of Government	Financial instruments at amortised cost	791,984	14,304,758
			2,281,108	16,262,760
	SUMMARY OF FINANCIAL LIABILITY			
	Financial instruments at amortised cost		2,281,108	16,262,760
43	EVENTS AFTER THE REPORTING DATE			
	The national state of disaster has been extended until 15 October 2020. Refer to note 48 whereby the financial impact of the COVID-19 pandemic on the Municipality is disclosed. Other than the COVID-19 pandemic, the Municipality had no other significant events after reporting date.			
44	IN-KIND DONATIONS AND ASSISTANCE			
	The municipality did not receive any in-kind donations or assistance during the year under review.			
45	PRIVATE PUBLIC PARTNERSHIPS			
	Council has not entered into any private public partnerships during the financial year.			
46	CONTINGENT ASSET/LIABILITIES			
	R.G. de Wee is claiming R8 million for alleged negligence and/or lack of maintenance of electricity network by the Municipality.			
47	RELATED PARTIES			
	Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.			
47.1	Related Party Transactions			
		Service Charges -		
		Rates - Levied 1 July 2019 - 30 June 2020	Levied 1 July 2019 - 30 June 2020	Other - Levied 1 July 2019 - 30 June 2020
		June 2020	2020	Outstanding Balances 30 June 2020
	Year ended 30 June 2020			
	Councillors	4,484	80,060	9,552
	Municipal Manager and Section 56 Employees	22,755	43,266	-
				108,984
				21,201
	Year ended 30 June 2019			
	Councillors	4,190	44,834	10,985
	Municipal Manager and Section 56 Employees	21,269	50,363	-
				18,270
				19,854
	The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.			
	<u>Related party relationship</u>			
	Councillors and management comprises of those persons responsible for planning, directing and controlling the activities of the Municipality.			
47.2	Related Party Loans			
	Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 15 to the Annual Financial Statements.			
47.3	Compensation of key management personnel			
	The compensation of key management personnel is set out in note 27 to the Annual Financial Statements.			
47.4	Other related party transactions		2020 R	2019 R
	The following purchases were made during the year where Councillors or Management have an interest:		-	-
	<u>Councillor/Staff Member</u>			
	None			

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
48 FINANCIAL SUSTAINABILITY		
The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:		
Financial Indicators		
The current ratio increased to 5.85:1 from 2.4:1 in the prior year.		
The municipality have budgeted for a surplus of R6 880 467 for the 2019/2020 financial year. The municipality is also budgeting for surplus during 2020/2021 and 2021/2022 amounting to R9 764 527 and R10 308 006 respectively.		
The average debtors' payment days increased to 273 days from 184 days.		
Other Indicators		
No outflow of resources due the contingent liability disclosed in note 46		
The Municipality is in no way immune to the harsh economic realities as a result of the COVID-19 pandemic. As far possible, the Municipality factored in the effect of the lock down levels had on its economic environment. At this stage, the uncertainty still remains as to how long the pandemic will remain and how long the economy will take to recover from the lockdown levels.		
When analysing the results of the ratio's it can be concluded that the COVID-19 pandemic did have an adverse effect from financial sustainability perspective. The Municipality has assessed that no going concern issues has been noted and that the Municipality can continue in operational existence for the foreseeable future.		
49 STATUTORY RECEIVABLES		
In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
Receivables from non-exchange transactions		
Property Rates	5,696,766	3,008,522
Total Statutory Receivables (before provision)	5,696,766	3,008,522
Less: Provision for Debt Impairment	(5,449,255)	(2,990,279)
Total Statutory Receivables (after provision)	247,511	18,244

Statutory Receivables arises from the following legislation:

Taxes - Value Added Tax Act (No 89 of 1991)
 Rates - Municipal Properties Rates Act (No 6 of 2004)

50 ADDITIONAL DISCLOSURE IN TERMS OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

APPENDIX A - Unaudited
KARREBERG LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020
MUNICIPAL VOTES CLASSIFICATION

2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R		2020 Actual Income R	2020 Actual Expenditure R	2020 Surplus/ (Deficit) R
15,710	(919,507)	(903,797)	Cemetery	16,065	(173,168)	(157,103)
2,780	(1,834,497)	(1,831,717)	Library	139,139	(2,010,484)	(1,871,345)
-	(69,002)	(69,002)	Museum	-	(8,013)	(8,013)
-	(3,057,961)	(3,057,961)	Corporate Services	-	-	-
9,966,410	(193,359)	9,773,051	Electricity Administration	9,622,296	(832,279)	8,790,017
-	(11,262,642)	(11,262,642)	Electricity Generation	-	(14,261,651)	(14,261,651)
-	(1,795,760)	(1,795,760)	Electricity Distribution	-	(1,065,740)	(1,065,740)
57,220,468	(11,944,610)	45,275,859	General Expenditure of Council	31,071,794	(11,578,694)	19,493,099
8,400	(175)	8,225	Official Housing	8,904	(140)	8,764
8,327,522	-	8,327,522	Property Rates	9,228,699	(1,177,644)	8,051,055
223,836	(1,879)	221,957	Commonage	309,989	(17,549)	292,440
53,757	(50,806)	2,951	Municipal Buildings	75,760	(148,485)	(72,725)
6,419,397	(16,416,861)	(9,997,464)	Municipal Manager/Treasurer	2,649,398	(14,681,933)	(12,032,535)
-	(22,553)	(22,553)	Clinic	-	(6,053)	(6,053)
347	(12,700)	(12,353)	Air Port	347	(7,099)	(6,752)
-	(34)	(34)	Abattoir	-	(25)	(25)
-	(15,732)	(15,732)	Fire Department	-	(8,470)	(8,470)
-	(787)	(787)	Civil Protection	-	-	-
-	(45,710)	(45,710)	Pound	-	(48,229)	(48,229)
70	(3,070,101)	(3,070,031)	Public Works	48,960	(4,663,859)	(4,614,899)
-	(1,284,942)	(1,284,942)	Streets & Pavements	8,883,350	(1,568,758)	7,314,592
5,740	(171,953)	(166,213)	Licensing & Traffic	5,600	(192,264)	(186,664)
13,022	(257,941)	(244,919)	Nature Reserve	1,396	(352,984)	(351,588)
535	(332,259)	(331,724)	Parks & Open areas	435	(217,740)	(217,306)
-	(7,203)	(7,203)	Swimming Pool	-	(8,685)	(8,685)
3,231	(15,387)	(12,156)	Caravan Park	339	(14,249)	(13,910)
1,890,906	(2,437,458)	(546,552)	Refuse	1,457,186	(5,103,022)	(3,645,836)
1,566,825	(5,469,209)	(3,902,384)	Sewerage & Cleansing	961,583	(4,975,050)	(4,013,467)
-	(1,799,650)	(1,799,650)	Water Distribution	-	(614,466)	(614,466)
2,902,054	(985,864)	1,916,190	Water Provision	3,208,980	(2,233,133)	975,847
88,621,009	(63,476,540)	25,144,468	Sub Total	67,690,219	(65,969,867)	1,720,352
-	965,688	965,688	Less Inter-Departmental Charges	-	791,153	791,153
88,621,009	(62,510,852)	26,110,157	Total	67,690,219	(65,178,714)	2,511,505

APPENDIX B - Unaudited
KAREEBERG LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R	2020			2020 Surplus/ (Deficit) R
			2020 Actual Income R	2020 Actual Expenditure R	2020 Surplus/ (Deficit) R	
57,220,468	(9,480,020)	47,740,448	31,071,794	12,263,846	(11,578,694)	19,493,099
15,024,512	(19,527,507)	(4,502,995)	(16,025,636)			(3,761,790)
347	(12,734)	(12,387)	347		(7,099)	(6,752)
-	(22,553)	(22,553)	-		(6,053)	(6,053)
18,490	(2,823,005)	(2,804,515)	155,204		(2,191,666)	(2,036,462)
8,400	(175)	8,225	8,904		(140)	8,764
-	(62,229)	(62,229)	-		(56,699)	(56,699)
3,766	(354,850)	(351,084)	774		(240,674)	(239,900)
13,022	(257,941)	(244,919)	1,396		(352,984)	(351,588)
1,890,906	(2,437,458)	(546,552)	1,457,186		(5,103,022)	(3,645,836)
1,566,825	(5,429,737)	(3,862,912)	961,583		(4,975,050)	(4,013,467)
5,810	(4,526,996)	(4,521,186)	8,937,910		(6,424,880)	2,513,030
2,902,054	(2,459,975)	442,079	3,208,980		(2,847,599)	361,381
9,966,410	(16,081,360)	(6,114,951)	9,622,296		(16,159,670)	(6,537,374)
88,621,009	(63,476,540)	25,144,469	67,690,219		(65,969,867)	1,720,352
-	965,688	965,688	-		791,153	791,153
88,621,009	(62,510,852)	26,110,157	67,690,219	(65,178,714)	2,511,505	

APPENDIX C - Unaudited
KAREEBERG LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 June 2019		Interest on Investments	Other Income	Transfer due to NT's request to return grant	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2020
	R	R						
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS								
Job Creation De Buit	48 769	2 549	-	-	-	-	-	51 318
Land Development	76 565	4 000	-	-	-	-	-	80 565
Civil Defence	20 944	-	38	-	-	-	-	20 944
CMIP Kwaggakolk (VAT)	765	-	-	-	-	-	-	803
Sanitation - sewerage	184 441	-	-	-	-	-	-	184 441
Electricity Schietfontein	43 933	2 297	-	-	-	-	-	46 231
Water Service Plan	4 104	214	-	-	-	-	-	4 318
CMIP - Saalpoort project 301	4 505	235	-	-	-	-	-	4 741
Library Development Projects	-	-	1,112 000	-	-	-	-	-
Paving Projects	29 698	1 551	-	-	-	-	-	31 249
Lotto Carnavan	2 278	119	-	-	-	-	-	2 397
Lotto Vosburg	40 228	2 103	-	-	-	-	-	42 330
Municipal Finance Management Grant	-	-	2 435 000	-	-	-	-	-
Transfer Fees Sub-Economic	170 593	8 939	-	-	-	-	-	179 532
Cleaning Project Vosburg	32 126	1 678	-	-	-	-	-	33 804
VAT - Retention	14 899	779	-	-	-	-	-	15 678
Municipal Infrastructure Grant	-	-	8 038 000	-	-	-	-	(2,177,853)
Youth Development	93 632	-	-	1 085 000	-	-	-	93 632
Expanded Public Works Program (PWPG)	-	-	54 000	-	-	-	-	-
COVID 19	13 537 276	-	-	13 537 276	-	-	-	-
RBIG (Department of Water Affairs and Forestry)	14 304 758	24 502	12 724 000	13 537 276	5 882 242	9 019 611	1 385 869	
Total								

APPENDIX D - Unaudited
KAREEBERG LOCAL MUNICIPALITY
NATIONAL TREASURY APPROVAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
REVENUE AND EXPENDITURE (REVENUE BY SOURCE AND EXPENDITURE BY TYPE)

Reconciliation of Table A1 Budget Summary

R thousands	Description	2019/2020					2018/2019				
		Original Budget (I.C. MfMA S28)	Budget Adjustments (I.C. MfMA S28)	Final Budget adjustments budget	Actual Outcome	Variance	Unauthorized expenditure	Actual Outcome as % of Final Budget	Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MfMA
1	2	3	4	5	6	7	8	9	10	11	12
Financial Performance											
Property rates	10,316	-	10,316	9,228	-	(1,087)	0.0%	0.0%	-	-	-
Service charges	15,340	-	15,340	14,934	-	(377)	0.0%	0.0%	-	-	-
Investment revenue	2,151	-	2,151	2,431	-	280	0.0%	0.0%	-	-	-
Transfers recognised - operational	28,980	(200)	28,780	30,231	-	1,451	0.0%	0.0%	-	-	-
Other own revenue	3,042	-	3,042	1,817	-	(1,226)	0.0%	0.0%	-	-	-
Total Revenue (excluding capital transfers and contributions)	59,828	(200)	59,628	58,671	-	(859)	0.0%	0.0%	-	-	-
Employee costs	24,416	(927)	23,490	21,405	-	(2,084)	0.0%	0.0%	-	-	-
Remuneration of councillors	2,759	-	2,739	2,647	-	(92)	0.0%	0.0%	-	-	-
Depreciation & asset impairment	3,552	-	3,552	5,419	-	1,867	0.0%	0.0%	-	-	-
Finance charges	1,067	-	1,067	1,726	-	659	0.0%	0.0%	-	-	-
Materials and bulk purchases	15,228	279	15,508	10,141	-	(5,367)	0.0%	0.0%	-	-	-
Transfers and grants	2,128	0	2,128	-	-	(2,128)	0.0%	0.0%	-	-	-
Other expenditure	18,856	2,648	21,503	23,840	-	2,357	0.0%	0.0%	-	-	-
Total Expenditure	67,987	2,000	69,987	65,179	-	(4,808)	0.0%	0.0%	-	-	-
Surplus/(Deficit)	(8,159)	(2,200)	(10,359)	(6,598)	-	(5,767)	0.0%	0.0%	-	-	-
Transfers recognised - capital	22,085	(4,847)	17,238	9,020	-	(8,218)	0.0%	0.0%	-	-	-
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	13,927	(7,047)	6,880	2,512	-	(13,985)	0.0%	0.0%	-	-	-
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	13,927	(7,047)	6,880	2,512	-	(13,985)	0.0%	0.0%	-	-	-
Capital expenditure & funds source											
Capital expenditure											
Transfers recognised - capital	22,085	(5,047)	17,038	9,020	-	(8,016)	0.0%	0.0%	-	-	-
Public contributions & donations	-	-	-	-	-	-	23	0.0%	0.0%	-	-
Borrowing	-	-	-	-	-	-	-	0.0%	0.0%	-	-
Internally generated funds	2,307	(2,000)	307	148	-	(159)	0.0%	0.0%	-	-	-
Total sources of capital funds	24,392	(7,047)	17,345	9,191	-	(8,154)	0.0%	0.0%	-	-	-
Cash flows											
Net cash from (used) operating	17,164	(2,000)	15,164	(11,824)	-	(26,987)	0.0%	0.0%	-	-	-
Net cash from (used) investing	(24,394)	(2)	7,039	(17,345)	(5,965)	11,379	0.0%	0.0%	-	-	-
Net cash from (used) financing	(7,222)	-	(313)	(316)	7	323	0.0%	0.0%	-	-	-
Cash/cash equivalents at the year end	4,725	(2,497)	(17,782)	(15,289)	-	(15,289)	0.0%	0.0%	-	-	-

APPENDIX D - Unaudited
KAREEBERG LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description R thousand	2019/2020								2018/2019			
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
1	2	3	4	5	6	7	8	9	10	11	12	
Revenue - Standard												
<i>Governance and administration</i>	40,268	-	40,268	43,338	-	(3,067)	0.0%	0.0%	-	-	-	-
Executive and council	20,995	-	20,995	31,072	-	(10,077)	0.0%	0.0%	-	-	-	-
Finance and administration	19,274	-	19,274	12,264	-	7,010	0.0%	0.0%	-	-	-	-
Internal audit	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
<i>Community and public safety</i>	1,149	-	1,149	165	-	985	0.0%	0.0%	-	-	-	-
Community and social services	1,128	-	1,128	155	-	973	0.0%	0.0%	-	-	-	-
Sport and recreation	12	-	12	1	-	11	0.0%	0.0%	-	-	-	-
Public safety	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
Housing	9	-	9	9	-	0	0.0%	0.0%	-	-	-	-
Health	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
<i>Economic and environmental services</i>	9,148	-	9,148	8,940	-	209	0.0%	0.0%	-	-	-	-
Planning and development	-	-	-	0	-	(0)	0.0%	0.0%	-	-	-	-
Road transport	9,128	-	9,128	8,938	-	190	0.0%	0.0%	-	-	-	-
Environmental protection	20	-	20	1	-	19	0.0%	0.0%	-	-	-	-
<i>Trading services</i>	31,348	(5,047)	26,301	15,250	-	11,051	0.0%	0.0%	-	-	-	-
Electricity	10,724	-	10,724	9,622	-	1,102	0.0%	0.0%	-	-	-	-
Water	16,495	(5,047)	11,448	3,209	-	8,240	0.0%	0.0%	-	-	-	-
Waste water management	995	-	995	962	-	33	0.0%	0.0%	-	-	-	-
Waste management	3,133	-	3,133	1,457	-	1,676	0.0%	0.0%	-	-	-	-
<i>Other</i>	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
Total Revenue - Standard	81,914	(5,047)	76,867	67,690	-	9,177	0.0%	0.0%	-	-	-	-
Expenditure - Standard												
<i>Governance and administration</i>	28,215	1,146	29,361	27,604	-	1,758	0.0%	0.0%	-	-	-	-
Executive and council	13,330	(803)	12,526	11,579	-	947	0.0%	0.0%	-	-	-	-
Finance and administration	14,885	1,949	16,834	16,026	-	809	0.0%	0.0%	-	-	-	-
Internal audit	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
<i>Community and public safety</i>	3,163	132	3,295	2,495	-	800	0.0%	0.0%	-	-	-	-
Community and social services	2,721	85	2,806	2,192	-	614	0.0%	0.0%	-	-	-	-
Sport and recreation	325	33	358	241	-	117	0.0%	0.0%	-	-	-	-
Public safety	80	12	92	57	-	35	0.0%	0.0%	-	-	-	-
Housing	10	0	10	0	-	10	0.0%	0.0%	-	-	-	-
Health	27	2	29	6	-	23	0.0%	0.0%	-	-	-	-
<i>Economic and environmental services</i>	7,437	(73)	7,364	6,778	-	586	0.0%	0.0%	-	-	-	-
Planning and development	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
Road transport	7,332	(463)	6,869	6,425	-	444	0.0%	0.0%	-	-	-	-
Environmental protection	106	390	496	353	-	143	0.0%	0.0%	-	-	-	-
<i>Trading services</i>	29,144	807	29,951	28,294	-	1,657	0.0%	0.0%	-	-	-	-
Electricity	15,534	152	15,687	15,414	-	272	0.0%	0.0%	-	-	-	-
Water	2,793	119	2,912	2,818	-	94	0.0%	0.0%	-	-	-	-
Waste water management	5,121	240	5,361	4,959	-	402	0.0%	0.0%	-	-	-	-
Waste management	5,695	296	5,991	5,103	-	888	0.0%	0.0%	-	-	-	-
<i>Other</i>	28	(11)	17	7	-	10	0.0%	0.0%	-	-	-	-
Total Expenditure - Standard	67,987	2,000	69,987	65,179	-	4,808	0.0%	0.0%	-	-	-	-
Surplus/(Deficit) for the year	13,927	(7,047)	6,880	2,512	-	4,389	0.0%	0.0%	-	-	-	-

**APPENDIX D - Unaudited
KAREEBERG LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)**

Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	2019/2020								2018/2019			
	Original Budget	Budget Adjustments (i.l.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue by Vote												
Vote 1 - Executive and Council	14,239	—	14,239	31,072	—	16,833	0.0%	0.0%	—	—	—	—
Vote 2 - Finance	5,343	—	5,343	12,264	—	6,921	0.0%	0.0%	—	—	—	—
Vote 3 - Community and public safety	1,113	—	1,113	—	—	(1,113)	0.0%	0.0%	—	—	—	—
Vote 4 - Infrastructure Development	61,219	(5,047)	56,172	24,355	—	(31,818)	0.0%	0.0%	—	—	—	—
Vote 5 - Economic Development	—	—	—	—	—	—	—	—	—	—	—	—
Example 6 - Vote6	—	—	—	—	—	—	—	—	—	—	—	—
Example 7 - Vote7	—	—	—	—	—	—	—	—	—	—	—	—
Example 8 - Vote8	—	—	—	—	—	—	—	—	—	—	—	—
Example 9 - Vote9	—	—	—	—	—	—	—	—	—	—	—	—
Example 10 - Vote10	—	—	—	—	—	—	—	—	—	—	—	—
Example 11 - Vote11	—	—	—	—	—	—	—	—	—	—	—	—
Example 12 - Vote12	—	—	—	—	—	—	—	—	—	—	—	—
Example 13 - Vote13	—	—	—	—	—	—	—	—	—	—	—	—
Example 14 - Vote14	—	—	—	—	—	—	—	—	—	—	—	—
Example 15 - Vote15	—	—	—	—	—	—	—	—	—	—	—	—
Total Revenue by Vote	81,914	(5,047)	76,867	67,690	—	(9,177)	0.0%	0.0%	—	—	—	—
Expenditure by Vote to be appropriated												
Vote 1 - Executive and Council	5,969	(370)	5,599	11,579	—	5,980	0.0%	0.0%	—	—	—	—
Vote 2 - Finance	12,641	2,006	14,647	16,026	—	1,378	0.0%	0.0%	—	—	—	—
Vote 3 - Community and public safety	6,511	(142)	6,369	—	—	(6,369)	0.0%	0.0%	—	—	—	—
Vote 4 - Infrastructure Development	42,847	506	43,353	37,574	—	(5,779)	0.0%	0.0%	—	—	—	—
Vote 5 - Economic Development	19	—	19	—	—	(19)	0.0%	0.0%	—	—	—	—
Example 6 - Vote6	—	—	—	—	—	—	0.0%	0.0%	—	—	—	—
Example 7 - Vote7	—	—	—	—	—	—	0.0%	0.0%	—	—	—	—
Example 8 - Vote8	—	—	—	—	—	—	0.0%	0.0%	—	—	—	—
Example 9 - Vote9	—	—	—	—	—	—	0.0%	0.0%	—	—	—	—
Example 10 - Vote10	—	—	—	—	—	—	0.0%	0.0%	—	—	—	—
Example 11 - Vote11	—	—	—	—	—	—	0.0%	0.0%	—	—	—	—
Example 12 - Vote12	—	—	—	—	—	—	0.0%	0.0%	—	—	—	—
Example 13 - Vote13	—	—	—	—	—	—	0.0%	0.0%	—	—	—	—
Example 14 - Vote14	—	—	—	—	—	—	0.0%	0.0%	—	—	—	—
Example 15 - Vote15	—	—	—	—	—	—	0.0%	0.0%	—	—	—	—
Total Expenditure by Vote	67,987	2,000	69,987	65,179	—	(4,808)	0.0%	0.0%	—	—	—	—
Surplus/(Deficit) for the year	13,927	(7,047)	6,880	2,512	—	(4,369)	0.0%	0.0%	—	—	—	—

APPENDIX D - Unaudited
KARREBERG LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
REVENUE AND EXPENDITURE (REVENUE BY SOURCE AND EXPENDITURE BY TYPE)

Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

R thousand	Description	2019/2020								2018/2019			
		Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
		1	2	3	4	5	6	7	8	9	10	11	12
Revenue By Source													
Property rates	10,316	-	10,316	9,229	-	(1,087)	0.0%	0.0%	-	-	-	-	-
Service charges - electricity revenue	10,724	-	10,724	9,496	-	(1,228)	0.0%	0.0%	-	-	-	-	-
Service charges - water revenue	2,448	-	2,448	3,049	-	601	0.0%	0.0%	-	-	-	-	-
Service charges - sanitation revenue	995	-	995	962	-	(33)	0.0%	0.0%	-	-	-	-	-
Service charges - refuse revenue	1,173	-	1,173	1,457	-	284	0.0%	0.0%	-	-	-	-	-
Rental of facilities and equipment	372	-	372	396	-	24	0.0%	0.0%	-	-	-	-	-
Interest earned - external investments	2,151	-	2,151	2,430	-	279	0.0%	0.0%	-	-	-	-	-
Interest earned - outstanding debtors	351	-	351	1	-	(350)	0.0%	0.0%	-	-	-	-	-
Dividends received	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-	-
Fines, penalties and forfeits	8	-	8	3	-	(5)	0.0%	0.0%	-	-	-	-	-
Licences and permits	43	-	43	5	-	(37)	0.0%	0.0%	-	-	-	-	-
Agency services	-	-	-	59	-	59	0.0%	0.0%	-	-	-	-	-
Transfers and subsidies	28,980	(200)	28,780	30,231	-	1,451	0.0%	0.0%	-	-	-	-	-
Other revenue	2,268	-	2,268	1,352	-	(916)	0.0%	0.0%	-	-	-	-	-
Gains on disposal of PPE	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	59,829	(200)	59,629	58,670	-	(960)	0.0%	0.0%	-	-	-	-	-
Expenditure By Type													
Employee related costs	24,416	(927)	23,490	21,405	-	(2,084)	0.0%	0.0%	-	-	-	-	-
Remuneration of councillors	2,739	-	2,739	2,647	-	(92)	0.0%	0.0%	-	-	-	-	-
Debt impairment	3,883	-	3,883	4,635	-	753	0.0%	0.0%	-	-	-	-	-
Depreciation & asset impairment	3,552	-	3,552	5,419	-	1,867	0.0%	0.0%	-	-	-	-	-
Finance charges	1,067	-	1,067	1,726	-	659	0.0%	0.0%	-	-	-	-	-
Bulk purchases	13,505	-	13,505	10,141	-	(3,364)	0.0%	0.0%	-	-	-	-	-
Other materials	1,724	279	2,003	-	-	(2,003)	0.0%	0.0%	-	-	-	-	-
Contracted services	4,618	2,792	7,410	-	-	(7,410)	0.0%	0.0%	-	-	-	-	-
Transfers and grants	2,128	0	2,128	-	-	(2,128)	0.0%	0.0%	-	-	-	-	-
Other expenditure	10,355	(144)	10,210	19,203	-	8,992	0.0%	0.0%	-	-	-	-	-
Loss on disposal of PPE	-	-	-	2	-	2	0.0%	0.0%	-	-	-	-	-
Total Expenditure	67,987	2,000	69,987	65,179	-	(4,808)	0.0%	0.0%	-	-	-	-	-
Surplus/(Deficit)													
Transfers recognised - capital	(8,158)	(2,200)	(10,358)	(6,509)	-	3,848	0.0%	0.0%	-	-	-	-	-
Contributions recognised - capital	22,085	(4,847)	17,238	9,020	-	(8,218)	0.0%	0.0%	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	13,927	(7,047)	6,880	2,511	-	(4,370)	0.0%	0.0%	-	-	-	-	-
Taxation	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-	-
Surplus/(Deficit) after taxation	13,927	(7,047)	6,880	2,511	-	(4,370)	0.0%	0.0%	-	-	-	-	-
Attributable to minorities	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-	-
Surplus/(Deficit) attributable to municipality	13,927	(7,047)	6,880	2,511	-	(4,370)	0.0%	0.0%	-	-	-	-	-
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-	-
Surplus/(Deficit) for the year	13,927	(7,047)	6,880	2,511	-	(4,370)	0.0%	0.0%	-	-	-	-	-

APPENDIX D - Unaudited
KAREEBERG LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING

Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	2019/2020								2018/2019			
	Original Budget	Total Budget Adjustments (I.L.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Capital expenditure - Vote												
Multi-year expenditure												
Vote 1 - Municipal Manager	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 2 - Finance	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 3 - Corporate Services	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 4 - Infrastructure Development	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 5 - Economic Development	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 6 - Vote6	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	0%	0%	-	-	-	-
Capital multi-year expenditure	-	-	-	-	-	-	0%	0%	-	-	-	-
Single-year expenditure												
Vote 1 - Municipal Manager	-	-	-	7	-	7	0%	0%	-	-	-	-
Vote 2 - Finance	2,107	(2,000)	107	139	-	32	0%	0%	-	-	-	-
Vote 3 - Corporate Services	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 4 - Infrastructure Development	22,085	(5,047)	17,038	8,898	-	(8,142)	0%	0%	-	-	-	-
Vote 5 - Economic Development	200	-	200	148	-	(52)	0%	0%	-	-	-	-
Example 6 - Vote6	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	0%	0%	-	-	-	-
Capital single-year expenditure	24,392	(7,047)	17,345	9,191	-	(8,154)	0%	0%	-	-	-	-
Total Capital Expenditure - Vote	24,392	(7,047)	17,345	9,191	-	(8,154)	0%	0%	-	-	-	-
Capital Expenditure - Standard												
Governance and administration	2,107	(2,000)	107	148	-	39	0%	0%	-	-	-	-
Executive and council	-	-	-	7	-	7	0%	0%	-	-	-	-
Finance and administration	2,107	(2,000)	107	139	-	32	0%	0%	-	-	-	-
Internal audit	-	-	-	-	-	-	0%	0%	-	-	-	-
Community and public safety	200	-	200	148	-	(52)	0%	0%	-	-	-	-
Community and social services	200	-	200	148	-	(52)	0%	0%	-	-	-	-
Sport and recreation	-	-	-	-	-	-	0%	0%	-	-	-	-
Public safety	-	-	-	-	-	-	0%	0%	-	-	-	-
Housing	-	-	-	-	-	-	0%	0%	-	-	-	-
Health	-	-	-	-	-	-	0%	0%	-	-	-	-
Economic and environmental services	8,038	-	8,038	8,890	-	852	0%	0%	-	-	-	-
Planning and development	-	-	-	-	-	-	0%	0%	-	-	-	-
Road transport	8,038	-	8,038	8,890	-	852	0%	0%	-	-	-	-
Environmental protection	-	-	-	-	-	-	0%	0%	-	-	-	-
Trading services	14,047	(5,047)	9,000	7	-	(8,993)	0%	0%	-	-	-	-
Electricity	-	-	-	7	-	7	0%	0%	-	-	-	-
Water	14,047	(5,047)	9,000	-	-	(9,000)	0%	0%	-	-	-	-
Waste water management	-	-	-	-	-	-	0%	0%	-	-	-	-
Waste management	-	-	-	-	-	-	0%	0%	-	-	-	-
Other	-	-	-	-	-	-	0%	0%	-	-	-	-
Total Capital Expenditure - Standard	24,392	(7,047)	17,345	9,191	-	(8,154)	0%	0%	-	-	-	-
Funded by:												
National Government	22,085	(5,047)	17,038	9,020	-	(8,018)	0%	0%	-	-	-	-
Provincial Government	-	-	-	-	-	-	0%	0%	-	-	-	-
District Municipality	-	-	-	-	-	-	0%	0%	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	0%	0%	-	-	-	-
Transfers recognised - capital	22,085	(5,047)	17,038	9,020	-	(8,018)	0%	0%	-	-	-	-
Public contributions & donations	-	-	-	23	-	23	0%	0%	-	-	-	-
Borrowing	-	-	-	-	-	-	0%	0%	-	-	-	-
Internally generated funds	2,307	(2,000)	307	148	-	(159)	0%	0%	-	-	-	-
Total Capital Funding	24,392	(7,047)	17,345	9,191	-	(8,154)	0%	0%	-	-	-	-

APPENDIX D - Unaudited
KAREEBERG LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
CASH FLOWS

Reconciliation of Table A7 Budgeted Cash Flows

Description R thousand	2019/2020							2018/2019 Restated Audited Outcome
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	
	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates, penalties and collection charges	7,530	–	7,530	6,647	(883)	0.0%	0.0%	–
Service charges	14,242	–	14,242	10,556	(3,686)	0.0%	0.0%	–
Other revenue	2,591	–	2,591	2,918	327	0.0%	0.0%	–
Government - operating	28,980	–	28,980	15,497	(13,483)	0.0%	0.0%	–
Government - capital	22,085	–	22,085	8,038	(14,047)	0.0%	0.0%	–
Interest	2,287	–	2,287	2,280	(8)	0.0%	0.0%	–
Dividends	–	–	–	–	–	0.0%	0.0%	–
Payments								
Suppliers and employees	(57,366)	(2,000)	(59,356)	(56,033)	3,323	0.0%	0.0%	–
Finance charges	(1,067)	–	(1,067)	(1,726)	(659)	0.0%	0.0%	–
Transfers and Grants	(2,128)	(0)	(2,128)	–	2,128	0.0%	0.0%	–
NET CASH FROM/(USED) OPERATING ACTIVITIES	17,164	(2,000)	15,164	(11,824)	(26,987)	0.0%	0.0%	–
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	–	–	–	5	5	0.0%	0.0%	–
Decrease (Increase) in non-current debtors	8	(8)	–	–	–	0.0%	0.0%	–
Decrease (increase) other non-current receivables	–	–	–	–	–	0.0%	0.0%	–
Decrease (increase) in non-current investments	–	0	0	–	(0)	0.0%	0.0%	–
Payments								
Capital assets	(24,392)	7,047	(17,345)	(5,970)	11,375	0.0%	0.0%	–
NET CASH FROM/(USED) INVESTING ACTIVITIES	(24,384)	7,039	(17,345)	(5,966)	11,379	0.0%	0.0%	–
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	–	–	–	–	–	0.0%	0.0%	–
Borrowing long term/refinancing	–	–	–	5	5	0.0%	0.0%	–
Increase (decrease) in consumer deposits	(2)	(313)	(316)	2	318	0.0%	0.0%	–
Payments								
Repayment of borrowing	–	0	0	–	(0)	0.0%	0.0%	–
NET CASH FROM/(USED) FINANCING ACTIVITIES	(2)	(313)	(316)	7	323	0.0%	0.0%	–
NET INCREASE/ (DECREASE) IN CASH HELD	(7,222)	4,725	(2,497)	(17,782)	(15,285)			–
Cash/cash equivalents at the year begin:	30,952	(4,649)	26,302	42,428	16,126			–
Cash/cash equivalents at the year end:	23,729	76	23,805	24,646	840	0.0%	0.0%	–

**APPENDIX E - Unaudited
KAREEBERG LOCAL MUNICIPALITY
DEVIATIONS ACCORDING TO SECTION 36(2) - SUPPLY CHAIN MANAGEMENT FOR THE YEAR ENDED 30 JUNE 2020**

NOT THREE QUOTATIONS

R2,001 - R30,000

Date of tender committee	Supplier	Amount	Reason
2019-10-30	Calteau & Partners	20 866.91	Exceptional
2019-12-19	Calteau & Partners	19 596.04	Exceptional
2019-12-11	Calteau & Partners	6 370.17	Exceptional
2020-05-29	Calteau & Partners	17 229.47	Exceptional
2020-06-08	Media24	16 456.50	Exceptional
		80 519.09	

R30,001 - R200,000

Date of tender committee	Supplier	Amount	Reason
2019-07-30	Calteau & Partners	65 504.58	Exceptional
2019-08-29	Calteau & Partners	854 364.27	Exceptional
		919 868.85	

NOT CHEAPEST QUOTATION

R2,001 - R30,000

Date of tender committee	Supplier	Amount	Reason
2019-09-02	Karoo Vleisboere	2 691.00	Exceptional
2019-09-16	Karoo Vleisboere	5 485.50	Exceptional
		8 176.50	

EMERGENCY

R2,001 - R30,000

Date of tender committee	Supplier	Amount	Reason
2020-01-30	Leon Swanepoel	3 728.65	Emergency
2020-03-31	Snaar Enterprises	29 200.00	Emergency
2020-06-08	Stewart and Lloyds	19 638.77	Emergency
		52 567.42	

R30,001 - R200,000

Date of tender committee	Supplier	Amount	Reason
2020-04-13	Snaar Enterprises	59 694.00	Emergency
2020-05-30	Bejula GCM Trading (Pty) Ltd	90 000.00	Exceptional
		149 694.00	

**APPENDIX E - Unaudited
KAREEBERG LOCAL MUNICIPALITY
DEVIATIONS ACCORDING TO SECTION 36(2) - SUPPLY CHAIN MANAGEMENT FOR THE YEAR ENDED 30 JUNE 2020**

AVAILABILITY

R2,001 - R30,000

Date of tender committee	Supplier	Amount	Reason
2020-11-19	Sebata Municipal Solutions	13 805.73	Exceptional
2019-07-10	Kloppers CAW	2 236.00	Exceptional
2019-07-14	CP Nel	9 643.10	Exceptional
2019-07-16	Jacobs Broers	6 502.00	Exceptional
2019-07-17	Karoo Vleisboere	2 367.49	Exceptional
2019-07-19	Gertriam Trading (Pty) Ltd	3 510.00	Exceptional
2019-07-29	Cape Garden Vredendal	5 469.16	Exceptional
2019-08-16	XYX Construction	3 111.90	Exceptional
2019-08-16	PDK De Aar	4 759.00	Exceptional
2019-09-12	CSB Handel	2 077.40	Exceptional
2019-09-17	XYX Construction	2 995.75	Exceptional
2019-09-20	Miste Samp Company (Pty) Ltd	3 500.00	Exceptional
2019-09-20	Jacobs Broers	3 890.44	Exceptional
2019-10-07	CSB Handel	4 723.74	Exceptional
2019-10-07	CSB Handel	5 524.27	Exceptional
2019-10-14	XYX Construction	3 542.00	Exceptional
2019-10-23	CSB Handel	2 963.57	Exceptional
2019-10-23	De Aar Bande en Gas	5 540.00	Exceptional
2019-10-29	CP Nel	14 221.11	Exceptional
2019-11-04	Karoo Vleisboere	2 009.65	Exceptional
2019-11-14	XYX Construction	3 895.05	Exceptional
2019-11-19	CP Nel	5 939.28	Exceptional
2019-11-19	CP Nel	12 816.86	Exceptional
2019-12-17	XYX Construction	6 550.00	Exceptional
2019-12-17	XYX Construction	5 080.00	Exceptional
2020-01-07	Honeywell	4 203.58	Exceptional
2020-01-17	Leon Swanepoel	13 182.45	Exceptional
2020-01-20	Van Niekerk Coetzee	3 826.37	Exceptional
2020-01-20	Motus Kimberley	2 716.40	Exceptional
2020-01-23	CSB Handel	2 736.24	Exceptional
2020-01-27	BKB Beperk	8 724.22	Exceptional
2020-01-23	Boland Fire	9 057.11	Exceptional
2020-02-24	BKB Beperk	8 430.00	Exceptional
2020-02-17	XYX Construction	3 830.00	Exceptional
2020-03-03	Karoo Vleisboere	2 095.55	Exceptional
2020-03-05	Lizemare's Catering	6 650.00	Exceptional
2020-03-13	Karoo Vleisboere	2 013.79	Exceptional
2020-03-20	CSB Handel	4 562.26	Exceptional
2020-04-09	Carnarvon Boukontrakteurs	3 000.54	Exceptional
2020-05-07	Leon Swanepoel	6 227.25	Exceptional
2020-05-27	John Klemp Angeling and Hunting	2 190.00	Exceptional
2020-06-10	Spar	2 199.60	Exceptional
2020-06-11	Wildman Hunting & Outdoor	4 753.00	Exceptional
2020-06-25	Spar	3 499.10	Exceptional
		230 570.96	

**APPENDIX E - Unaudited
KAREEBERG LOCAL MUNICIPALITY
DEVIATIONS ACCORDING TO SECTION 36(2) - SUPPLY CHAIN MANAGEMENT FOR THE YEAR ENDED 30 JUNE 2020**

R30,001 - R200,000

Date of tender committee	Supplier	Amount	Reason
	Wholehearted Music cc	64 800.00	Sole provider
	Profound	129 560.00	Exceptional
		194 360.00	

SERVICE PROVIDER

R2,001 - R30,000

Date of tender committee	Supplier	Amount	Reason
2019-07-01	Afrihost	23 004.00	Sole provider
2019-07-11	CSB Handel	15 390.00	Exceptional
2019-07-26	Fantique Trade 1215 cc	6 558.66	Sole provider
2019-07-30	Dr AJ Vorster	5 040.00	Sole provider
2019-09-23	SAGE VIP	4 945.50	Sole provider
2019-10-24	SAGE VIP	2 109.10	Sole provider
2019-10-28	Bester's Auto	4 855.30	Sole provider
2019-10-30	Konica Minolta	3 312.00	Sole provider
2019-10-31	Arbeidswetseminaar	2 162.00	Sole provider
2019-11-05	UCLG Conference	12 826.00	Sole provider
2019-11-14	GB Kempen en De Wet Nel	13 497.93	Exceptional
2020-11-26	SAGE	8 818.78	Sole provider
2020-01-05	Super Armature Winding Africa	8 765.30	Exceptional
2020-01-08	Arch Actuarial Consulting	5 750.00	Sole provider
2020-01-15	SAFWATER	8 477.80	Sole provider
2020-01-24	SAGE VIP	4 588.50	Sole provider
2020-03-25	GB Kempen en De Wet Nel	3 500.00	Exceptional
2020-04-14	SAGE VIP	4 071.00	Sole provider
2020-04-28	Bester's Auto	3 692.20	Sole provider
	SAGE	3 277.50	Sole provider
	Mubesko Afrika	23 184.00	Sole provider
		167 825.57	

R30,001 - R200,000

Date of tender committee	Supplier	Amount	Reason
16-08-2019	Fantique Trade	88 807.62	Sole provider
02-07-2019	GB Kempen en De Wet Nel	58 503.65	Exceptional
30-10-2019	Conlog	154 074.38	Sole provider
19-12-2019	Sebata Municipal Solutions	78 863.26	Sole provider
07-02-2020	Ignite	60 145.00	Exceptional
23-04-2020	SAGE VIP	39 095.40	Sole provider
	Ignite	110 400.00	Sole provider
		589 889.31	

TOTAL DEVIATIONS

2 393 471.70